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China Report

ECONOMIC AFFAIRS

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URBAN WATER CONSERVATION CONFERENCE ENDS

OW201005 Beijing XINHUA Domestic Service in Chinese 1617 GMT 19 Apr 86

[Article by Reporter Yang Zhengwen]

[Excerpts] Wuhan, 19 April (XINHUA)--All cities in China must conserve, harness, and utilize water resources, stressed the National Urban Water Conservation Conference which ended in Wuhan on 18 April.

The conference pointed out: China has made major progress in water supply during the "Sixth 5-Year Plan" with daily water supply increased by over 1.2 million metric tons, thereby greatly contributing to national economic development. However, persistent water shortages, growth of industrial production, and rising urban living standards have placed greater demands on urban water supply. For this reason, we must continue to implement the policy of harnessing new water resources and practicing conservation. Aside from stepping up construction of water supply facilities, it is necessary to take effective water conservation measures to ease contradictions in supply and demand.

To further promote water conservation in cities and rationally harness and utilize water resources, the conference discussed and studied "trial regulations on awards for water conservation in cities," "regulations governing the control of underground water resources in cities," and "fixed quotas for industrial water consumption," and called on all cities to take effective measures and earnestly do well in harnessing and conserving water resources.

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CSO: 4006/943

PROVINCIAL AFFAIRS

PEOPLE'S CONGRESS STANDING COMMITTEE SESSION HELD

SK160401 Tianjin City Service in Mandarin 1430 GMT 15 Apr 86

[Text] The 27th Standing Committee meeting of the 10th municipal People's Congress was held today. The meeting was presided over by Bai Hua, vice chairman of the municipal People's Congress Standing Committee. A draft agenda of the 5th session of the 10th Tianjin Municipal People's Congress and a draft namelist of the presidium of the 5th session of the 10th municipal People's Congress and of the secretary general were worked out. The meeting participants also heard and discussed a draft report on the work of the Tianjin Municipal People's Congress Standing Committee and a report on handling the motions of the 3rd Session of the 10th Tianjin Municipal People's Congress, and heard a report given by the municipal Higher People's Court on the situation of the municipal people's courts at all levels in punishing serious economic criminals, and a report given by the municipal People's Procuratorate on the situation of the municipal procuratorial organs in dealing blows to serious economic crimes.

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PROVINCIAL AFFAIRS

LI XUEZHI'S SPEECH AT NINGXIA REGIONAL WORK CONFERENCE

HK141057 Yinchuan NINGXIA RIBAO in Chinese 19 Mar 86 pp 1, 3

["Excerpts" of speech by Li Xuezhi [2621 1331 2535] at the Ningxia Regional Planning, Economic, Scientific, and Technological Work Conference on 1 March 1986: "Uphold the Principle of Simultaneously Building the Two Civilizations and Consolidate and Carry Forward the Excellent Situation in Our Region"]

[Text] In line with the guideline of simultaneously building the two civilizations put forth by the CPC Central Committee and Comrade Deng Xiaoping, I give here some of my opinions on such matters as reform, the rectification of party style, the strengthening of ideological and political work, and the problems of cadres.

I. On Reform and Economic Construction

In 1965, in line with the central guideline calling for "paying careful attention to the initial battle and seeking victory without fail," our region took a solid step forward in economic reform, achieving marked results. This year, the CPC Central Committee again put forth the guideline calling for "consolidation, digestion, replenishment, and improvement." Consolidation means consolidating the results of reform in the past few years and upholding the direction of reform to lay a solid foundation for the deepening of reform next year and the year after and for an overall economic reform in the whole period of the seventh 5-year plan. "Digestion" means further firmly carrying out various reform measures already in force and quickly solving new problems in reform, so that various tasks can better suit the demands of reform. "Replenishment" means doing what is necessary and supplementary where less than perfect or sound links and aspects of reform are concerned, so that various reform measures can be made perfect as parts of a whole. "Improvement" means improving the means of macrocontrol, the situation of supply and demand, the size and structure of investment in fixed assets, and so forth to further stimulate production, so that reform measures already in force can give full play to their role and help in promoting what is good and overcoming defeats. In sum, the guideline calling for "consolidation, digestion, replenishment, and improvement" is a correct guideline that fits in with reality and helps in promoting the deepening of reform.

Reform is a complicated and arduous revolutionary task and proceeds amid continuous exploration. Concerning reform measures already in force, the state needs a process of summing up experiences and readjusting policy. The enterprises need a process of changing gear to adjust and of absorption and digestion. The masses also need a process of increased understanding and gradual adaptation. Therefore, it is very necessary to designate a period of time for consolidation. Only in this way can we give full play to the role of various reform measures already in force, improve the economic and social benefits brought by reform, and consolidate the results of reform, so that reform can proceed in a more steady and down-to-earth manner.

Treating correctly certain problems and mistakes appearing in reform is a problem of ideological awareness that must be solved at present. The reform is a profound revolution never before witnessed. It involves the readjustment of economic relations and economic interests in various fields. There are many new conditions and new problems that have never been encountered before. Especially in the period of the new taking the place of the old and at a time when new systems have just been established and old ones are still making their presence felt, the appearance of some phenomena which are not in harmony can hardly be avoided. Some people have their confidence shaken upon running into some difficulties in reform and shrink from moving forward. They make a big fuss over the appearance of something wrong and murmur complaints. They think that reform is a mistake and even blame certain unhealthy trends on reform. This is obviously wrong. We must not only attach importance to problems appearing in reform and seriously and realistically seek solutions, but, at the same time, we must refuse to be swayed by gossip and rumors and remain unshaken in confidence in deepening the reform.

In this year's reform, we must focus on the proper handling of the following points:

1. We must further strengthen the vitality of enterprises, especially large and medium-sized ones. At present, the lack of vitality in the enterprises of our region is a prominent problem existing on the economic front. To properly solve this problem, we must, first, sincerely and wholeheartedly do a good job in simplifying administration and delegating power. In line with the relevant regulations of the CPC Central Committee, the State Council, and the autonomous region on expanding decisionmaking power, we must really entrust relevant power to enterprises. Various economic departments, in charge should change their functions and gradually switch over to control by relevant trades. In line with the principle of "delegating power to factories and serving basic levels," we must properly reorganize various types of companies at various levels. Second, we must strengthen enterprises' capacity for self-transformation, self-digestion, and self-development, taking this as our starting point and our end. Through gradually slashing and repealing regulatory taxes, properly increasing the depreciation rates on enterprises' fixed assets, and other means, we must create conditions for the transformation and development of enterprises. Meanwhile, we must resolutely stop such unhealthy practices as freely imposing allocations, freely collecting fees, and freely raising money, and seek to reduce various irrational

burdens on enterprises. Third, various enterprises must be internally oriented taking good care of reforms within themselves, perfecting various versions of the responsibility system, improving matters of operation and management, enhancing their own quality, reducing consumption, and improving the quality of products.

2. We must energetically develop extensive economic integration in various forms. We must throw the gates open and keep ourselves from being bound hand and foot, boldly promoting economic and technical cooperation between enterprises, between factories, between urban and rural development, between a particular area and other areas and striving for still greater development this year. Meanwhile, we must further create conditions for doing a good job in opening up to the outside world.

3. We must strengthen macrocontrol and properly handle reforms in various fields as parts of the whole. We must continue doing a good job in reforming the planning system and the financial system. We must fully apply such economic levers as taxation, credit, interest rates, and so forth in strengthening indirect control.

4. We must stimulate circulation and develop the socialist commodity market. We must give full play to the role of the city, with its many functions, continuously liberalizing and stimulating the market for consumer goods, opening up the market for means of production, developing the technology market, creating a capital market, and experimenting with a labor market. We must energetically develop tertiary industry and enliven the urban and rural economies. We must exert still greater efforts in developing communications and transportation.

5. We must push forward the reform of the science and technology system. Focusing on the technology problems posed in readjusting the industrial structure and the product mix, we must energetically organize forces to tackle these problems one by one. With a break through in the commercialization of scientific and technical research results, we must stimulate trading in technology and strengthen the handling of technology. We must realistically do a good job of organizing and enforcing "urgent plans" and stimulate the technical transformation of various departments involved in multiple undertakings. We must strengthen the building of science and technology demonstration points and speed up the popularization and application of science and technology with a particular point taken as a source of encouragement to a wide area.

II. On the Rectification of Party Style

Party style is a major problem with a bearing on the survival of the party. A correct party style is a guarantee for the proper handling of economic construction. Our region has seriously carried out the general and specific policies of the CPC Central Committee and done a large amount of work in rectifying party style. On the economic front, through cracking down hard on serious criminal activities in the economic field, rectifying new unhealthy practices, and establishing and perfecting necessary regulations and systems, there has been a turn for the better in party style. But we must soberly realize that unhealthy practices in the economic field still assume quite serious proportions and that cases of economic crimes have shown an obvious increase.

Unhealthy practices manifested in the economic field in our region can be summed up as mainly being the following: 1) Involvement of certain organs and party and government cadres in trading and enterprise operation in defiance of state regulations. 2) Serious involvement with bureaucratism and poor management, causing the state great economic losses. 3) Handing out bonuses, allowances, and goods freely. 4) Illegal trading in foreign exchange. 5) Abusing authority to grant loans and approve general requests or applications for supplies, cashing in on special relations, and serving private ends. 6) Trading on the long or short side of the market in a speculative manner, practicing bribery, and even, in some cases, starting on the road to fraud, deceit, corruption, theft, and other illegal activities. 7) Producing something in a slipshod way and passing off bad quality as good, doing the people harm. 8) Freely marking up prices and imposing charges. 9) Freely raising money and freely imposing allocations, adding to the burden on enterprises. 10) Some units' indulgence in feasting and spending money by using such excuses as starting work, ordering goods, starting an inspection, making assessments and comparisons, having goods examined and cleared, and so forth. 11) Exacting extra money and demanding kickbacks in obtaining illegitimate income for individuals or groups.

If unchecked, unhealthy trends can cause very serious harm. First, unhealthy trends can have a serious corrupting effect on people's thinking and on their spirit, seriously corrupting our party style and people's ways of doing things and impairing the prestige of the party and the government among the masses. Second, unhealthy trends can ruin the reputation of reform and dampen the people's enthusiasm for reform and modernization. Third, if such trends are not checked, a number of cadres will be corrupted and a number of people will be led astray, with the next generation being affected. Fourth, unhealthy trends can be exploited by certain people with ulterior motives, thus upsetting the political situation of stability and unity.

At present, we must put the business of rectifying party style in a very prominent position. We must seriously uphold the guideline of "remaining firm and sticking it out," make up our minds, and take effective measures, striving to bring about marked results within the year. "Remaining firm" means that party, government, discipline-inspection, and legal departments at various levels must fully understand the importance and urgency of rectifying party style and unreservedly act in accordance with central instructions, policies, and regulations, maintaining unity with the CPC Central Committee, strictly observing discipline and enforcing the law, daring to get tough, and upholding the solemnity of party discipline and state laws. "Sticking it out" means that in solving the problem of party style and social trends and cracking down on economic crimes, we must keep a firm and tight grip on things, display the tough spirit of the foolish old man who removed the mountains, be ideologically prepared to fight a protracted battle, and stay always on the alert without showing the least relaxation.

First, rectifying party style must start with leadership organs and leadership cadres. The leadership at all levels, especially at and above the level of department and bureau directors, must have correct thinking and a correct concept of unhealthy trends--knowing what is right or wrong. Second, they must first have a clean record themselves. What they ask the masses to do they must first do themselves. What they ask the masses not to do they must first not do themselves. When wrong or when involved with unhealthy practices, they must seriously make a self-review and quickly correct themselves. Third, they must overcome bureaucratism and dare to act and take things in their stride. Those people who combine rectification efforts with violation of the law and who commit offenses knowingly in the current effort to rectify party style must be severely dealt with.

Second, we must pay close attention to handling a number of typical cases, dare to get tough, and never be soft. In rectifying party style, we must show resolution and dedication. The reason some obviously incorrect cases have been looked into and worked upon with no result is that the leadership is not firm in its resolution. Some leaders show lack of confidence in rectifying party style, taking a wait-and-see attitude. Some pay more attention to face than to principle. Some cannot help yielding to the persuasion of others and compromising in the face of a network of relations, with officials even shielding each other. Some have themselves not got a clean record, being involved with unhealthy practices or with guilty people, and cannot get tough. We must resolutely overcome the above various ideological obstacles and especially get rid of such vulgar and decadent practices as showing consideration for people's feelings and for "relations" and basing judgment on "background," "origins," and "the kind of person involved," without regard to party discipline and the interests of the state and the people. We must truly act in accordance with the principle of party spirit. In investigating and handling major and important cases, we must, without delay, make such decisions as should be made, keeping hold of the main points of relevant cases, getting to the bottom of things, and acting with clarity in our approach to those units and individuals who have acted in defiance of law and discipline, we can in no way write them off as "cases which are exceptions with no repetition." Criminal cases must be handled, with facts as the basis and law as the guide, and dealt with according to the law, with arrests or executions carried out as justified.

Third, we must draw clear lines of distinction, with rules and regulations enforced. The CPC Central Committee has promulgated a series of documents and concrete regulations. Various departments and units must act strictly according to relevant policies and stipulations. In light of actual conditions, they must also establish and perfect necessary regulations and systems, tighten controls, and plug loopholes that give rise to unhealthy practices, thus giving undesirable persons no opportunity.

Fourth, we must continue to do a good job of party rectification work. In line with central arrangements, we must seriously handle party rectification work in enterprises and at rural grassroots level in a proper manner. We must carry out penetrating investigations and studies, strengthen leadership, and accomplish party rectification assignments to a high standard and high quality specifications. Those units that have completed party rectification must do a good job in consolidating and developing the results of party rectification.

We must pay close attention to liberalism in the political field and resolutely oppose and seriously overcome it. At present, some people do not seriously study and carry out the party's general and specific policies and even make all kinds of comments, spreading sentiments of dissatisfaction. Some who have something to say do not air their views through normal channels and freely talk without reserve in all kinds of situations. Some are fond of listening to and passing on gossip and are in the habit of stirring things up and spreading rumors. Such an evil wind has an evil effect on consolidating and carrying forward the political situation of stability and unity and promoting reform and modernization. Its harm is no less than that of the practice of a small number of people serving private ends in economic and other fields. For this reason, we must educate cadres at all levels, and leadership cadres in particular, so that they can strengthen the concept of the party, raise their sense of political responsibility, and unconditionally maintain ideological and political unity with the CPC Central Committee. We must realistically improve party life. Everyone, from ordinary party members to leadership cadres at all levels, must doggedly participate in organizational life, accept party supervision, seriously carry out criticism and self-criticism, overcome shortcomings, correct mistakes, and strengthen party unit and unification. We must seriously enforce discipline. Those people who promote bourgeois liberalization and run afoul of party discipline and state laws must be seriously tracked down and severely dealt with. This is to uphold party discipline and provide education for the masses of party members.

III. On Strengthening Ideological and Political Work

Doing ideological and political work in a penetrating and conscientious manner is our party's fine tradition. Whether in the years of war or in the period of socialist construction, it is highly necessary to set store by and to strengthen ideological and political work. Comrade Mao Zedong pointed out: "Ideological and political work is the lifeline of economic work and all other work." This thesis is Marxist truth tested in practice. Our leadership cadres at all levels must fully realize the importance of ideological and political work in the new period and tackle ideological and political work as a long-term fundamental task, keeping a tight and proper grip on it.

At present, the problem existing in our region's ideological and political work is lack of attention to ideological and political work. Some comrades erroneously hold that ideological and political work is a "soft-line" task and that we must rely on "money" to arouse people's enthusiasm, with ideological and political work no longer working wonders. Therefore, they do not take ideological and political work seriously and go through the motions, leaving political work organs less than perfect. Some units even do away with political work organs. They neglect to build political work forces, so that the quality of political work personnel is relatively poor. Their ways and methods of doing ideological and political work fail to meet the needs of the new situation. Their work fails to hold any attraction and has no influence. We must resolutely correct the trend toward overlooking ideological and political work and achieve the aim of taking up two tasks at the same time, shouldering two burdens at the same time, and obtaining two kinds of results at the same time.

First, we must strengthen education on the situation and education involving "four fields." We must strengthen education on the four fundamental principles: education on the need to uphold the policy of reform and openness; education on state discipline and on discipline related to matters of foreign affairs; education on collectivism, patriotism, socialism, and communism; and education on revolutionary tradition. At present, we must especially pay proper attention to education on the situation, relevant policies, and the legal system. We must dare to face up to reality and not run away from contradictions. By setting out facts and speaking the truth, we must figure things out and make comparisons. We must help the masses in clearly understanding the situation, knowing what is what, and correctly handling the relations between the principle regarding material interests and communist ideals, between the principle of exchange of equal value and the need to wholeheartedly serve the people, and between improving the people's lives and hard struggle, and the relations among state, collective, and individual interests.

Second, the whole party must act, with every level assuming responsibility. The ideological and political work network involving many levels and many sides can be set up. In line with their own characteristics, political work departments and economic work departments at all levels, trade unions, CYL organizations, women's associations and other public organizations, and also secretaries of enterprise party committees and factory directors or managers must do a good job of ideological and political work.

Third, we must strive to study and improve methods of doing ideological and political work. We must uphold the principle calling for positive education and insist on treating others as equals, convincing others by reasoning things out and actively providing guidance. We must make a point of combining education of the people with concern for the people and combine reasoning things out with solving problems.

We must follow various patterns, such as holding report meetings and heart-to-heart talks, paying visits, establishing civilized units, starting forums on promoting knowledge and book-reading contests, launching activities related to the "five stresses, four points of beauty, and three loves," and so forth, in putting ideological education in concrete, vivid, and varied forms. Thus, ideological education can really produce the effect of strengthening self-cultivation, fostering a sense of values, and raising consciousness.

Education based on typical examples is the most persuasive in building the two civilizations on our region's various fronts, there have emerged not a small number of advanced groups and models. Through radio, television, newspapers, magazines, and other mass media we must energetically build them up and cite them. The regional party committee and the regional government has decided to call a regional congress of advanced groups and individuals in building the two civilizations in the fourth quarter of this year. Propaganda, news, literature and art, publishing, and other departments must strengthen the sense of social responsibility, and create or produce more works that can have an enlightening effect on people's thinking and stimulate people to forge bravely ahead.

We must further strengthen the ideological and political work contingent and maintain the authority of political work departments. Various departments and units, especially economic departments and enterprises, must strengthen political work organs in light of their own concrete conditions. Those political work organs that are not well-organized must be put on a sound basis as quickly as possible. Those with less than the assigned number of staff must be staffed with the due number of cadres as quickly as possible. Those with an assigned staff of inadequate numbers to meet work needs must have the problem solved through readjustment in working out their respective personnel plans. Those people not suited for work in political work departments must be transferred away from them. We must assign a number of comrades who have a high level of consciousness and who are young in age, highly cultured, of good quality, experienced in particular work to a certain degree, and are capable of keeping in touch with the masses to ideological and political work contingents in order to strength the latter. Through giving short-term training or sending them selectively to various types of schools for continued studies and by adopting other means, we must improve the political and professional performance of political workers.

IV. On the Building of Cadre Contingents and Leading Groups

Our region has done a large amount of work in the "four-sided transformation" of cadre contingents and leading groups, with spectacular progress achieved. But there are still some problems and deficiencies. The main problems are the following: Not enough attention has been given to the work of training cadres. The composition of some leading groups is still not entirely rational, with certain specialized fields not linked up as parts of the whole and with no proper distribution of age groups. Minority nationality cadres and female cadres still account for a relatively small proportion, as far as the region's entire contingent of cadres is concerned. The quality and work style of a number of cadres still fall short of the demands of the new situation and new tasks.

We must firmly and unswervingly uphold the guideline of "four-sided transformation" of cadres. In the "four-sided transformation" of cadres, the most important thing is to seek revolutionization and bring about a good political quality among them. In selecting for promotion, training, and using cadres, party committees at various levels and the personnel departments of organizations must firmly carry out this guideline in an overall manner. We must correctly understand and handle the relationship between diplomas and actual levels. We must take diplomas into consideration but refrain from treating diplomas as everything. We must set store by cadres' actual skills and work records. Those people with diplomas and actual skills and good education should be employed. Those who have no diplomas but have actual skills and real talents should also be employed. We must widen our horizons, create more opportunities for skilled personnel, and follow no fixed rules in tapping and using talent of all kinds. We must not only boldly and collectively promote leading cadres from among fine middle-aged and young intellectuals but also treat accomplished self-taught comrades on an equal footing. We must not only pay attention to talent in party and government organs but also take note of large numbers of skilled personnel in other areas and especially basic-level units.

We must further strengthen the building of leading groups. Relatively big readjustments have been made in leading groups at and above the county level in our region. This year, in line with the principle calling for relative stability, partial readjustment, and raising standards to achieve perfection, we will focus on building the ideological style of leading groups. We must continuously restructure those leading groups that are relatively poor performers in political and vocational fields and are negligent in their ideological style, lax in organizational discipline, and inefficient in work performance. We must deal strictly with those leading cadres who are morally degenerate, irresponsible in work performance, and inattentive to party discipline and state laws. The aim is to turn leading groups at various levels into command headquarters worthy of the name that lead the masses in creating a new situation in socialist modernization and play an exemplary role in rectifying party style.

We must realistically do a good job in training cadres. . This year, simultaneously with the implementation of the regional plan calling for secondary vocational school education for cadres, we must strengthen training and education for leading cadres and focus on the proper training of enterprise leadership cadres and economic and technical management cadres. Party schools at all levels, cadre schools, colleges, and institutions of higher learning throughout the region must seriously do a good job in running cadre training classes. Thus, the masses of cadres can raise their level of training in Marxist theory and their scientific, technical, and cultural levels, learn how to apply the dialectical-materialist and historical-materialist stand, viewpoint, and method in recognizing, analyzing, and solving new conditions and new problems appearing in work, and strengthen work in regard to principle, regularity, foresight, and creativity.

We must active promote and train minority nationality cadres and female cadres. There has been relatively great progress in our region's effort in training and promoting minority nationality cadres. The number of minority nationality cadres has increased by more than four times compared with when the autonomous region was first set up. The percentages accounted for by them in leading groups at various levels have shown relatively big increases.

But as far as the region's existing contingent of cadres as a whole is concerned, the proportion representing minority nationality cadres is still not high. To change this situation, we must actively promote a number of fine minority nationality cadres for admission to various departments of the autonomous region and leading groups at regional, city, and county levels. On the other hand, we must continue adopting special policies and measures to do a good job of nationalities education. With nationalities education not developed, minority nationality cadres can hardly get ahead, quantitatively or qualitatively. We must discover the existing basic number of minority nationality cadres throughout the region, work out training plans based on different levels, and give them training on a rotating basis in separate groups over different periods of time. Those minority nationality cadres with fine political quality and their good prospects for development must be sent to institutions of higher education for further studies. Especially through using various channels, we must train skilled personnel among people of minority nationalities. The proportion of women cadres in our region is also not high. Party committees at all levels must seriously do a good job of promoting and training women cadres and keep a proper grip on the training of contingents of female cadres.

We must strengthen the unity of the ranks of cadres. Cadres in our region have different origins, some being from the local area and many coming from other areas. Comrades from the latter areas may be further traced to all corners of the country. Many have put down roots in Ningxia and become localized. We must uphold the principle of "being from all corners of the country" and strengthen unity between cadres from local and other areas, between cadres of Han and minority nationalities, between worker-peasant cadres and educated cadres, and between old and new cadres. We must achieve the aim of saying and doing nothing that hurts unity. We must resolutely fight such acts as promotion of factionalism, establishment of small strongholds, and so forth that wreck unity. Cadres in all quarters must learn from each other, show mutual respect, draw on each other's strengths, and share the same will in contributing their strength toward the realization of the goal of "a turnaround for Ningxia."

We must realistically improve the leadership style. We must uphold the idea that "leadership means serving" and get deeply involved with reality in making investigations and studies. Agriculture, industry, and other fronts should all organize cadres to head for the frontline and stay at fixed points on a contract basis. We must especially help mountainous areas in the south to do a good job of construction and take good care of the business of helping the poor. We must do our work on the spot and seek to solve problems right away, overcoming bureaucratism and changing the situation of doing things haphazardly, giving more attention to general appeals than to concrete guidance, and paying scant attention to typical examples. With problems already pinpointed, we must show determination and keep a tight grip without letting go, getting to the bottom of things. We must strengthen supervision from top to bottom and from lower to higher levels, and resolutely get rid of the unhealthy practice of slacking on the job, passing the buck, and letting things slide. Instead, we must strive to improve the quality of work and raise work efficiency.

This is the first year the Seventh 5-Year Plan has been in force. A good start in taking this first step is of unusually great importance in triumphantly fulfilling the Seventh 5-Year Plan. We must pay simultaneous attention to the building of material civilization and spiritual civilization, maintain a proper state of mind, develop a good work style, show humility and modesty, act in concert, and get down to earth in a struggle to bring about a new start, a new breakthrough, and a new victory in various fields of endeavor in 1986!

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CSO: 4006/943

JILIN PEOPLE'S CONGRESS WORK REPORT

SK110818 Changchun JILIN RIBAO in Chinese 30 Mar 86 p 3

[Report on the work of the Standing Committee of the Jilin Provincial People's Congress delivered by Huo Mingguang, vice chairman of the provincial People's Congress Standing Committee, at the fourth session of the sixth provincial People's Congress on 13 March]

[Excerpts] Fellow deputies:

Entrusted by the Standing Committee of the Sixth Jilin Provincial People's Congress, I will now give a report on the work of the Standing Committee carried out since the third session of the Sixth Provincial People's Congress. With the guidance of the 3d Plenary Session of the 12th CPC Central Committee and the National Conference of Party Delegates, and with the efforts of all its members, the Standing Committee, since the last session, has conscientiously implemented the resolutions of the third session of the Sixth Provincial People's Congress, exercised according to law its duties of legislation, supervision, decision making, and personnel appointments and removals, and thus played its role as a local organ of state power in developing the socialist democracy, strengthening the socialist legal system, and safeguarding and promoting the building of the socialist material and spiritual civilizations in our province.

I.

It is a major task of the provincial People's Congress Standing Committee to formulate and promulgate local laws and regulations, and to strengthen the socialist legal system. During the past year the Standing Committee formulated six local regulations, and approved through discussions one regulation on autonomy of minority nationalities.

Following the development of the economic structural reform and the national economy, more and more guiding principles for economic relations and economic activities should be framed in the form of law. The Standing Committee considered the formulation of economic laws and regulations a focal point of local legislation work. In order to prevent and treat environmental pollution, guarantee the people's health, rationally develop, utilize and protect natural resources, and stimulate economic development, the Standing Committee formulated the "Jilin Provincial Interim Regulation on Environmental Protection" at its 14th meeting on the basis of the regulations of the "PRC Environmental Protection Law (for trial use)," and the specific conditions and actual needs of the province. In order to protect the legal rights and interests of urban economic collective organizations, and encourage, guide and help the development of the collective economy, it formulated the "Jilin Provincial Regulation on Protecting the Rights and Interests of Urban Enterprises of Collective Ownership" at its 17th meeting on the basis of the "PRC Constitution" and relevant regulations and laws. At the same meeting it also worked out the "Jilin Provincial Regulation on Management of Urban Construction" on the basis of relevant state regulations in order to strengthen our province's city planning, construction and management, and suit urban construction to the needs of economic development. Spurred by the economic structural reform, many new changes have emerged in urban and rural trade fairs, and the state has made corresponding readjustments in the policies on the management of trade fairs. As some articles of the "Jilin Provincial Detailed Regulation on the Management of Urban and Rural Trade Fairs" formulated at its 5th meeting failed to meet the needs in the development of the situation, the Standing Committee revised the "detailed regulation" at its 15th meeting and formulated the "Jilin Provincial Regulation on the Management of Urban and Rural Trade Fairs" on the basis of the "Decision of the CPC Central Committee on Reform of the Economic Structure," and relevant state policies. The promulgation and implementation of the afore-mentioned economic regulations provide legal basis to ensure reform and enliven the economy.

The Standing Committee has strengthened education legislation work since the "Decision of the CPC Central Committee on Reform of the Educational Structure" was issued. In view of the situation in which campuses and buildings of some schools were occupied, which directly affected education development, the Standing Committee formulated the "Jilin Provincial Regulation on the Protection and Management of School Campuses and Buildings" at its 16th meeting in order to safeguard the legal rights and interests of schools of various categories at various levels. As the first regulation of the province's education front, it represents a new step forward in managing educational affairs according to the law.

Strengthening and promoting the national legislation constitutes an important part in building the legal system. Tho Yanbian Korean [words indistinct] Prefecture has formulated its "Regulations on the Exercise of Autonomy," in line with the stipulations of the "PRC Constitution" and the "PRC Law on the Regional Autonomy of Minority Nationalities," and in combination with its distinguishing features in politics, economy, culture, nationalities, and frontiers. These regulations have defined the competence of regional organs, economic construction and financial management systems, and issues on developing education, science, culture, public health, and sports, as well as the relationships between different nationalities. These regulations have been examined and endorsed by the 14th Standing Committee meeting of the provincial People's Congress, because they have played an important role in carrying out reforms, invigorating the nationalities economy, strengthening the building of spiritual civilization, promoting the unity between different nationalities, and consolidating the border areas.

To further improve legislative procedures and improve the quality of rules and regulations, the 14th Standing Committee meeting of the provincial People's

Congress has, after summing up experiences in the practice of legislation, formulated the "Regulations on Several Questions Regarding the Drawing Up and Implementation of Local Rules and Regulations," in light of the problems in the legislation work and in accordance with the relevant stipulations of the Constitution and local organizational laws. Being the guiding principle for local legislative activities, these regulations have further defined the legislative motion powers and legislative procedures, and have entrusted the local state organs and, in particular, the judicial departments with the duty of safeguarding and guaranteeing the implementation of local rules and regulations. As a result, the local legislation work has been systemized and legalized.

II.

Hearing and examining the work reports of the provincial People's Government, the People's Court, and the People's Procuratorate constitutes an important part of the work of the Standing Committee in exercising legal supervision over their work, as well as a basic form to exercise the supervision authority. Since the third session of the Sixth Provincial People's Congress, the Standing Committee has heard and examined five work reports and two reports on law enforcement.

In exercising legal supervision, the Standing Committee has mainly supervised violations of the Constitution and laws. Over the past year, through inspections and investigations, the Standing Committee has strengthened the legal supervision work in the following four fields:

First, it has inspected the People's Government, the People's Court, and the People's Procuratorate on the enforcement of the Constitution, the law, administrative laws, and local regulations. The chairman, vice chairmen, and members of the Standing Committee have inspected the enforcement of the forestry law, the environment protection law (for trial implementation), the economic contract law, the medicines administration law, and the regulations on the regional autonomy of minority nationalities, which were promulgated by the state. They have also inspected the enforcement of regulations on protecting the legal rights and interests of women and children, regulations on the administration of river courses, provisional regulations on land mangement, and provisional regulations on environmental protection which were promulgated by the province. In addition, they have expeditiously supervised and urged the relevant departments to correct according to the law and to seriously deal with those actions which have been inconsistent with laws and those behaviors in violation of laws, thus having safeguarded the dignity of the Constitution and laws.

Second, it has examined the situation in implementing the resolutions and decisions of the provincial People's Congress and its Standing Committee. The chairman and vice chairmen of the Standing Committee have gone deeply to the rural areas of Jiutai, Shuangyang, Nongan, Huaide, Lishu, Dongfeng, Shuangliao, Fusong, Changbai, Jingyu, Huinan, and Dongliao counties to express sympathy and solicitude for the masses and cadres in the disaster areas and to examine the situation in implementing the "resolution on doing a good job in the antidisaster and relief work." Through investigations and expressing sympathy for the people, it has helped the grassroots cadres correctly understand the rural situations after disasters, helped them study measures for carrying out production through self-reliance, and put forward ideas and suggestions for the government on how to make the antidisaster and relief work successful. The Standing Committee has also organized investigation groups to go deeply to Baicheng, Fuyu and other cities and counties to investigate the implementation of the "decision on strengthening propaganda and education on the legal system and on popularizing legal knowledge," worked out investigation reports, and put forward suggestions for training backbone cadres for popularizing legal knowledge and conducting propaganda and education and promoting typical experiences in an effort to deeply promote the work of popularizing legal knowledge.

Third, it has examined the decisions and orders of the people's governments of the corresponding level and that of the people's congresses of the next lower level to see whether they are in contradiction with the Constitution, the laws, administrative laws and regulations, and local laws and regulations. For example, some deficit budgets put forward by the people's governments and approved by the local people's congresses are seriously in violation of the local organic law and the relevant stipulations of the State Council. The Standing Committee has corrected these budgets in line with the law.

Fourth, it has strengthened propaganda and education on the legal system. The Standing Committee has held forums on several occasions to mark the third anniversary of the promulgation of the new Constitution, forums attended by responsible persons of the press units in the provincial capital, and a Constitution theoretical seminar together with the provincial Law Association. Such a move has played a positive part in deepening the study and publicity of the Constitution and Laws, strengthening legal supervision, and guaranteeing the implementation of the Constitution and Laws.

The Standing Committee has appointed and removed some functionaries of the provincial people's governments, courts and procuratorates in line with the law. In the course of appointing and removing personnel, it has adhered to the "four requirements for cadres," and managed things strictly in line with the law. Furthermore, it has examined and corrected the transfer of township and town heads in some localities which have been carried out in violation of legal procedures and stipulations, and the promulgation of appointments of leaders who have not been elected by the people's congresses and appointed by the people's congress standing committees.

III.

Establishing closer ties with the people's deputies and displaying their role are a foundation for making the work of the people's congresses successful. In line with the "regulations on fully displaying the role of the provincial people's deputies," a meeting of chairman and vice chairmen has adopted "several proposals on further strengthening contacts with the work of the provincial people's deputies," and carried out multichannelled and multiformed contact activities with the deputies. The Standing Committee chairman, vice chairmen, and committee members have inspected various localities and invited deputies of the localities to join the inspections; and conducted investigations in grassroots levels, visited deputies, and invited them to forums to solicit their opinions. The Standing Committee has also entrusted the city, autonomous prefectural, and county (city and district) people's congress standing committees to help in keeping contacts with the work of the provincial people's deputies, thus initially forming a network to keep in touch with deputies and to get information from them.

Since the third session of the Sixth Provincial People's Congress, the Standing Committee has further strengthened its work and construction in order to suit the need of creating a new situation in all fields of the socialist modernization drive.

Studying basic Marxist theory, the party's principles and policies, and the Constitution and laws is the basic construction of the Standing Committee. Since the beginning of this year, the Standing Committee has organized its members and office workers to expeditiously study the documents of the National Conference of Party Delegates, the speeches by Comrades Hu Yaobang, Tian Jiyu, Yang Shangkun, and Wang Zhaoguo at the central meeting of cadres, and the speech by Chairman Peng Zhen on strengthening the People's Congress work and construction. The chairman, vice chairmen, and cadres of the Standing Committee have already completed their study of the Constitution, and an examination has been given to them. Through study, they have clearly understood the new situation on reform and the basic tasks of the Standing Committee of the People's Congress, have reinforced their sense of democracy and the legal system, and have improved their ability to discuss political affairs. Recently, in line with Comrade Deng Xiaoping's principle of "striving to grasp basic Marxist theory in line with the new situation" and with the guidelines of the provincial CPC Committee's circular on restoring and establishing the theory study groups attended by cadres at or above the country level, the Standing Committee has established two theory study groups attended by the chairman, vice chairmen, and responsible persons of various commissions and offices. In addition, the office cadres have also attended the regularized theory study courses, thus making the study regularized and systemized.

Since the third session of the sixth provincial People's Congress, although the Standing Committee has made new progress and scored some achievements in its work, there is still a long way to go as compared with the demands of the Constitution and laws. The major indicators are: The understanding of the importance of building democracy and the legal system is insufficient; the work of the Standing Committee cannot suit the needs of the current situation; the work in inspecting law enforcement and conducting legal supervision has been insufficient; the contacts with people's deputies need to be strengthened; and the work of giving play to the role of people's deputies needs to be strengthened. This year, the Standing Committee should, under the leadership of the provincial CPC Committee, further implement the guidelines of the provincial People's Congress work conference held by the provincial CPC Committee, and should further strengthen the work and the construction of the Standing Committee in line with the guidelines of the National Conference of Party Delegates. The Standing Committee should vigorously strengthen local legislative work, economic legislative work in particular; should review and improve local rules and regulations which have already been promulgated; and should apply the laws as a weapon to safeguard and promote the smooth progress of economic construction and economic structural reform. The Standing Committee should regard the legal supervision as a major point of its work and should inspect the situation on law enforcement in a planned manner. Whenever illegal behavior is discovered, it must be corrected resolutely in order to ensure the enforcement of the Constitution, the law, administrative laws, and local regulations. It should maintain close ties with people's deputies, and conscientiously handle the motions, suggestions, criticism, and opinions from people's deputies in order to give full play to the role of people's deputies. It should maintain close ties with various city, prefectural, and county (district and city) People's Congress Standing Committees, and should frequently communicate and exchange experiences with them in order to promote the work in this regard. It should also strive to study basic Marxist theory, the party's principles and policies, and legal knowledge; should firmly foster the idea of "leadership meaning service"; should improve the workstyle and work methods; should strengthen the inspection and investigation work; should expeditiously learn about the new situations emerging in reform, study new problems, and sum up new experiences; and should work hard for developing the socialist democracy, improving the socialist legal system, consolidating and developing a stable and united political situation, and safeguarding and promoting the building of our province's socialist material and spiritual civilizations.

I submit this report for your examination.

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CSO: 4006/943

PROVINCIAL AFFAIRS

JILIN PROVINCIAL PROCURATORATE WORK REPORT

SK160545 Changchun JILIN RIBAO in Chinese 1 Apr 86 p 2

[Report on the work of the provincial People's Procuratorate given by Li Xiangwu, chief procurator of the Jilin Provincial People's Procuratorate, at the Fourth Session of the Sixth Provincial People's Congress on 13 March]

[Excerpts] Since the third session of the Sixth Jilin Provincial People's Congress, under the leadership of the provincial CPC Committee and provincial People's Congress Standing Committee, the procuratorial organs at all levels throughout the province have conscientiously implemented the "Decision of the CPC Central Committee on the Reform of the Economic Structure," the guidelines of the National Conference of Party Delegates, and the guidelines of the national and the provincial political and legal work conferences and the meetings of chief procurators, further straightened out the guiding ideology of the procuratorial work, taken the initiative in observing and serving the general objective of the party, vigorously carried out all kinds of procuratorial work with the center on "dealing blows to criminal crimes and economic offenses," dealt strict blows to all serious criminals, and made due contributions to safeguarding the reform of the economic structure and the four modernizations.

1. We Have Continued To Deal Strict Blows to Serious Criminal Activities and Strive for Steady Improvements in Social Security

Since the third session of the sixth provincial People's Congress, in line with the unified arrangements of the provincial CPC Committee and the CPC Central Committee, the procuratorial organs at all levels have promoted the spirit of fearing no tiredness, fighting painstakingly, and striving to fulfill responsibilities, continued to resolutely implement the principle of dealing "heavy and quick blows" to criminals, in line with the law, and the policy of dealing steady, accurate, and relentless blows to criminals, dealt serious blows to murderers, arsonists, rapists, robbers, bomb planters, hooligans and thieves guilty of major crimes, and other serious criminal elements, and made new success which has fully reflected the power of the people's democratic dictatorship.

2. We Have Dealt Strict Blows to Serious Economic Criminal Activities, and Safeguarded the Smooth Progress in the Economic Structural Reform as Well as in the Four Modernizations

While not slackening the efforts to deal blows to serious criminal activities, the procuratorial organs throughout the province have also regarded dealing blows to serious economic criminals as their major tasks, and scored remarkable achievements. They put on record for investigations some 3,333 cases of theft, bribery, tax evasion, profiteering, and deception, of which some 458 cases each involved more than 5,000 yuan, 216 major cases each involved some 10,000 yuan, and 64 serious cases each involved more than 30,000 yuan. An economic loss of more than 13.29 million yuan was saved for the state.

Since last year, the procuratorial organs throughout the province have served as good advisers to the provincial CPC Committee, voluntarily reflected the situation and reported their work to the provincial CPC Committee, and played their role as advisers and assistants. In September, after hearing a systematic report given by the provincial procuratorate on the province's rampant economic criminal activities and the serious situation in which the number of major cases increased by 100 percent, the provincial CPC Committee paid great attention to the report. In late October, it held a provincial work conference on dealing blows to serious economic crimes and worked out unified plans. Stimulated by the guidelines of this conference, the CPC Committees at all levels have universally restored the operation of leadership groups in charge of dealing blows to economic crimes. Each and every Standing Committee member of the provincial CPC Committee has taken charge of one typical major case and more than 597 party and government leading cadres at and above the county level throughout the province have taken charge of 576 major and appalling cases. Furthermore, the procuratorates at all levels have voluntarily maintained close coordination with the relevant departments under the leadership of the provincial CPC Committee, fought in coordination, concentrated efforts on dealing blows to criminals, and promoted the deep development of the struggle against serious economic crimes.

3. We Have Energetically Strengthened Discipline Inspection Work and Safeguarded the Solemnity of the Socialist Legal System

In 1985, the procuratorial organs throughout the province strengthened the discipline inspection work, closely coordinated their work with the struggle against "crimes and economic criminal activities," and conscientiously investigated and handled a number of cases of retaliation and frame-ups, illegal detention, extraction of confession through torture, and cases that infringed upon the personal and democratic rights of a citizen, and major cases caused by serious bureaucratism and neglect of duty. In handling cases, the procuratorates at all levels persisted in eliminating obstacles and interference in line with the demands of the Supreme People's Procuratorate on "proceeding from grasping major cases while carrying out discipline inspection work," and investigated and handled some major and appalling cases on infringing upon human rights, and malfeasance.

In order to safeguard the democratic rights of citizens, and to solve problems concerning the people's difficulties in lodging complaints, the procuratorial organs throughout the province paid visits to the people instead of having the people visit them, gone deeply to the grassroots, catered their work to the needs of the masses, and enthusiastically served the visitors. Since last year, they have handled 13,305 letters and visits from the people, provided more than 4,600 [pieces of] evidence for solving criminal cases, investigated and affixed the crimes of 69 persons, sorted out and corrected many unjust and frame-up cases. Their work has played an active role in promoting the development of the struggle against "criminal and economic offenses," closer ties between the state organs and the people, the reform of the economic structure and the four modernizations.

4. We Have Persisted in Combining the Work of Dealing Blows To and Preventing Crimes, and Comprehensively Tackling All Cases

In the course of struggling against "criminal and economic offenses," and through handling cases, the procuratorial organs throughout the province have vigorously helped those units where the criminal cases took place to comprehensively handle their problems, have simultaneously grasped the work of dealing blows to criminals, helping them turn over a new leaf, preventing crimes, and educating the people, and made pronounced achievements in this regard. During the year, they have helped some 532 units establish regulations and systems, stopped some loopholes, distributed 1,327 copies of proposals on procuratorial work, helped and educated 496 persons whose crimes have not been prosecuted, and stimulated them to follow the road of becoming wealthy through hard work.

In order to keep the criminals in awe and prevent crimes, the procuratorial organs throughout the province have selected typical cases and held large-scale public trials on more than 70 occasions together with the courts.

5. We Have Further Enabled the Procuratorial Ranks to Make Self-Improvements and Unceasingly Raise the Political and Professional Qualities of the Cadres and Policemen

In the first place, we have strengthened ideological construction.

In 1985, the procuratorial organs at all levels conscientiously carried out the party rectification work in line with the "decision of the CPC Central Committee on Party Rectification," eliminated the "leftist" influence, and further straightened out their operational guidelines. Such a move has enabled all party members to receive an education on party spirit, party discipline, and party style, to unify thinkings, to strictly observe discipline and to strengthen unity, and made the party organs become purer and to have greater fighting strength. Meanwhile, we have also strengthened the ideological and political work. The procuratorial organs at all levels have also conducted education on Marxism and Mao Zedong Thought among the broad masses of procuratorial cadres and policemen, persisted in the education on the four basic principles and communist ideology, continued to raise their ideological and political awareness, enhanced their ability to resist corrosive influence, and helped them foster the idea of wholeheartedly serving the people. A procuratorial contingent with good political awareness and strong fighting strength has been initially formed.

After this session, the procuratorial organs throughout the province should conscientiously implement the guidelines of the National Conference of Party Delegates and the National Political and Legal Work Conference under the leadership of the provincial CPC Committee, and the CPC Committees at all levels and under the supervisions of the People's Congress Standing Committees at all levels, and consider dealing blows to serious economic crimes as their main tasks while not slackening efforts to struggle against serious criminal activities.

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CSO: 4006/943

PROVINCIAL AFFAIRS

GUANGDONG HOLDS MEETING OF COMMERCIAL BUREAU DIRECTORS

HK290701 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT
17 Mar 86

[Text] The provincial meeting of directors of the commercial bureaus which was held recently decided: It is necessary to continuously regard the development of commodity economic relations among enterprises and regions as a focal point of the work of reforming commerce and enlivening the market. In the aspects of the circulation system and the mode of operation, we must further change the past method of organizing the circulation of commodities according to the division of administrative regions and adopt the method by which grassroots shops can freely select places where they order their goods and wholesale business further develops, so as to speed up the circulation of commodities. We must also further cooperate with enterprises inside and outside our province in operation and sales and continue to perfect the systems of wholesale business of the state-run commercial enterprises.

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CSO: 4006/943

LIAONING HOLDS FORUM WITH FORMER OFFICIALS IN BEIJING

SK100138 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 8 Apr 86

[Excerpts] On 5 April, the provincial CPC Committee and the provincial People's Government held a joint forum at the Liaoning Restaurant in Beijing Municipality with the participation of advisers who were invited to give advice on the province's economic work and to jointly map out the grand plan for making Liaoning's economy progress. Quan Shuren, deputy secretary of the provincial CPC Committee and governor of the province, presided over the forum.

Attending the forum were (Gu Dexin), Li Dongye, Chen Puru, (Liu Tgingguan), (Xin Tieying), (Zhao Hui), (Xu Dailian), (Wu Ming), (Xu Renquan), (Gu Shaowen), (Ma Zhong), (Liu Peizhi), (Zheng Zhong), (Kui Shan), (Liu Fang), (Lan Giwei), (Yang Suozheng), (Li Qing), (Liu Chengguo), and Peng Fei.

Also attending the forum were Guo Feng and Song Li, members of the Central Advisory Commission, and Zhang Zhengde, chairman of the provincial People's Congress.

At the forum, Comrade Quan Shuren, on behalf of the provincial CPC Committee and the provincial People's Government, first delivered a speech to extend his heartfelt thanks to the veteran comrades who had enthusiastically supported the province's work.

He, then, introduced the profound changes that had taken place in the economic field and social outlook of the province during the implementation period of the Sixth 5-Year Plan.

After the introduction made by Comrade Quan Shuren on the task arrangements for fulfilling the Seventh 5-Year Plan, veteran comrades at the forum vied with one another to voice their opinions and fully acknowledged the achievements scored by the province during the implementation period of the Sixth 5-Year Plan with regard to achieving self-sufficiency in grain supply. They also offered many precious opinions full of strategic significance on the task arrangements for fulfilling the Seventh 5-Year Plan and pledged to continue to show concern for and cherish Liaoning Province.

In conclusion, Comrade Quan Shuren, on behalf of the provincial CPC Committee and the provincial People's Government, presented letters of appointment for advisers to all participating veteran comrades.

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CSO: 4006/943

GU MU ADDRESSES NINGBO DEVELOPMENT MEETING

OW240555 Beijing XINHUA Domestic Service in Chinese 0843 GMT 23 Apr 86

[Article by RENMIN RIBAO reporter Chen Min and XINHUA reporter Yu Youhai]

[Excerpts] Beijing, 23 Apr (XINHUA)--Since early spring of this year, the first of this Seventh 5-Year Plan, Ningbo City in Zhejiang Province has started large-scale development and construction projects, showing the prospects for vigorous development of this open, deep-water harbor city in the east coastal area of China.

The Ningbo economic development coordination group under the State Council held its third meeting today. It was noted at the meeting that, in accordance with the instructions of the party Central Committee and the State Council on accelerating the development of Ningbo, the expansion of the Beilun Harbor and the Zhenhai Harbor on the south bank of the Hangzhou Bay has started; a large and a medium-sized power plant are being built; and the construction of the Baiban paper mill, a program-controlled telephone project and other industrial, telecommunications, tourism and cultural projects has also started. The newly built Ningbo University will begin recruiting students this year.

The third meeting of the coordination group held at Zhongnanhai this morning was presided over by Gu Mu, head of the group and State councillor. The participants included Chen Xian, deputy head of the group and vice minister in charge of the State Planning Committee; Yuekong Pao, adviser to the coordination group and chairman of the Worldwide Shipping Group of Hong Kong; Lu Xuzhang, adviser to the Ministry of Foreign Economic Relations and Trade; Wu Minda, deputy secretary of the Zhejiang Provincial CPC Committee and vice governor of Zhejiang; and responsible persons of the departments concerned under the State Council.

Gu Mu said in his speech: The state's arrangement of so many projects being built in a medium-sized city like Ningbo during a period as short as the Seventh 5-Year Plan has rarely been seen in China's history of construction. We should know that these construction projects not only meet the needs of Ningbo's economic development, but also meet the overall needs of national economic development. He pointed out: A great deal of work still remains to be done. All central departments concerned should cooperate with Ningbo City and Zhejiang Province in planning both main and auxiliary projects, carrying out organizational reform, building leading bodies and training qualified personnel, and ensure success in Ningbo's development and construction by every possible means.

Mr Yuekong Pao also spoke at the meeting. He made valuable suggestions concerning the construction of the Beilun Harbor and the Beilun steel plant, and other questions.

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CSO: 4006/968

ECONOMIC MANAGEMENT

DEVELOPMENT OF LATERAL ECONOMIC TIES URGED

Harbin HEILONGJIANG RIBAO in Chinese 5 Jan 86 p 3

[Article by Hou Jie [0186 2212]: "Develop Lateral Economic Ties, Fully Vitalize the Economy in Our Province; Talk Delivered at the Zhaozhou on-the-Spot Conference of the Provincial Government on Strengthening Lateral Economic Ties (29 December 1985)"]

[Text] Comrades:

The provincial government's objective in convening this on-the-spot conference in Zhaozhou is to improve awareness of the necessity and urgency of developing lateral economic ties by asking everyone to make on-the-spot observations and thereby further promote the development of lateral economic ties in our province.

At the conference, the Zhaozhou government presented their fine experiences. The experiences of Zhaozhou bring up a very important issue, that is, is it possible to revive and revitalize local industries with weak foundations and poor conditions? Can county-run industries eliminate enterprises running at a loss? Can counties financially subsidized by the province achieve a balance of their own receipts and expenditures and even have some left over? Zhaozhou county has no through railway line, it is not near any river, and there are no forests. It lacks the rich bounties of nature and the industrial base is weak. Since the 3d Plenum of the 11th CPC Central Committee, the county CPC committee and the county government have earnestly implemented the open door policy and the policy of reviving the domestic economy. While developing lateral economic ties their thinking has been liberated and their goals clear. They have persisted in working together on the "four bigs" (big cities, big enterprises, big specialized schools, and big scientific research units). Every department has joined forces in cooperation, their workstyle is sound and they have accomplished whatever they have set out to do. As a result, the output value of county-run industries has doubled in 5 years, thereby putting an end to 15 successive years of running at a loss. State-run industrial enterprises have eliminated deficits in the budget, balanced receipts and expenditures, and have a bit left over. Other construction projects are all thriving. Zhaozhou has broken a new path in the development of local industries and can provide experiences in developing and vitalizing large and medium-sized industrial enterprises. It seems that as long as a county or a city earnestly organizes itself, not only is it possible for them to develop lateral economic ties, it is also very feasible. These experiences have far-reaching significance.

Below I will discuss three issues.

I. Expanding Lateral Ties Is a Necessary Trend in Economic Development

The "Resolution of the CPC Central Committee on Reforming the Economic System" and talks of principal leading comrades of the Central Committee all stress the status, function, and significance of lateral economic ties. Developing economic and technological cooperation is the major current trend in the world, it is the only way to develop China's national economy and accelerate the realization of the four modernizations. They have given the go-ahead for developing lateral economic ties.

How do we know that expanding lateral ties is a necessary trend in economic development?

1. Developing lateral ties is a requirement of objective economic laws. At present China has a planned commodity economy. An important characteristic of a commodity economy is socialized production and cooperation. Socialized large-scale production forms an organic whole consisting of all kinds of economies. No one part can function without the others. The more society develops, the finer the social division of labor and the more unity and cooperation is needed. Unity and cooperation on the basis of social division of labor can give rise to new productive forces and promote social development and progress. Nowadays international economic and technological exchange and cooperation are becoming more closely linked and internal lateral economic and technological ties must develop even further. Under such circumstances, if economic and technological exchange and cooperation are not practiced, the country will be closed to international trade and the penalty of objective economic laws will be paid. The economy will then be unable to develop further. This point has already been proven by domestic and international economic circumstances.

2. Developing lateral ties is the way to reform the economic system. Over the years we have developed a rigid and confining economic system. As a result the economy has lost its life and vitality. This has severely impeded development of productive forces. In reforming the economic system we must further expand economic and technological exchange both abroad and at home. We must be firm and steadfast in opening up to outside trade but it is even more important to develop domestic trade. Economic and technological cooperation with foreign countries may be somewhat limited due to foreign exchange solvency and the influence of domestic capital funding, and other conditions. However, there are many conditions favorable to developing domestic lateral ties, the potential is great. Thus, it is necessary to thoroughly smash the rigid style and change the purely vertical and restrictive economic system into an open lateral system. It is necessary to develop and expand unity and cooperation. This is essential for strengthening enterprise vitality and it is the basis for accelerating socialist modernized construction in Heilongjiang.

3. The development of lateral ties will help make up for each other's deficiencies and is essential for accelerating economic growth. For historical reasons, economic development and technological standards in coastal and inland areas and in cities and villages is very uneven. The distribution of natural resources is also different so that only by developing lateral economic ties and expanding economic and technological exchange and cooperation is it possible to help supply each other's needs, make up for each other's deficiencies and make the economic structure and local distribution more rational. Only in this way can we encourage scientific and technological exchanges, promote the integration of science, technology, and production, upgrade the standard of production technology in enterprises and society, make the relationship between urban and rural economies closer, encourage cities to spread out, spur on the development of the rural economy and gradually reduce the gap between urban and rural areas. This will promote the rational flow of capital, equipment, technology, and personnel and the joint development of the economy which will improve social and economic results.

The natural resources of Heilongjiang are rich and abundant. Industry and agriculture both have a solid base. Nevertheless, there is little advanced technology and capital for exploiting natural resources and developing the economy. This has presented some difficulties for improving the economy. Difficulties have been particularly severe for enterprises under the control of the county: both management and business operations are obsolete. Although the situation of industrial enterprises in Heilongjiang running at a loss has turned for the better this year, nevertheless, the deficit still runs at 19.5 percent. The total amount of losses is nearly 100 million yuan. Throughout the province, approximately 47 counties receive provincial financial subsidies and the subsidy total per year is 176 million yuan. If this situation is not changed as soon as possible the development of the economy of Heilongjiang is bound to be very limited. Consequently, it is necessary to change the superiority of our natural resources into economic superiority and change the backward state of industry. An important solution is to learn from the experiences of Zhaozhou, develop lateral economic ties and, to the extent possible, introduce more capital, advanced equipment, advanced technology, and specialists to exploit our natural resources, carry out the technological transformation of existing enterprises and improve the technological and management standards of enterprises. Particularly during the past 2 years of the Seventh 5-Year Plan, under the conditions set by the state that basic construction be maintained at the general scope of 1985, we should proceed along this path and improve the quality of local industrial enterprises and accelerate the development of local industries. Practice has proven that the way to unity is also the way to revitalization and development. To this end we must give serious attention to this, increase awareness, improve work, and broadly develop numerous forms of unity and cooperation. We must strive to revitalize work in Heilongjiang.

II. Sum up Experiences, Strengthen Leadership and Promote the Healthy Development of Lateral Economic Ties

Under the guidance of the directive issued by the Central Committee to "revive the domestic economy and implement an open door policy: and the guideline issued by the provincial CPC committee for the "two reforms, two developments, enrich the country and the people," and due to the efforts of political and economic departments at all levels and of enterprises, remarkable results have been attained in economic and technological cooperation in our province over the past 2 years.

However, the requirements for developing lateral economic ties and reform still do not correspond very much to the requirements of economic development. In terms of work there is still a large gap. All prefectures and all authorized departments must coordinate practical work and earnestly sum up experiences and lessons. On the basis of conducting further investigations and studies they must successfully formulate plans and launch work in economic consolidation step by step in a planned way.

1. It is necessary to encourage a spirit of opening up and develop lateral economic ties.

Lateral economic ties are new; they began to develop after the thorough implementation of the reform and open door policy. Only with a spirit of blazing new trails and wanting to forge ahead is it possible to promote this work. The experiences of Zhaozhou and other areas demonstrate that in order to achieve even greater successes in unity and cooperation we must be bold enough to dare to smash ideological barriers and have a spirit of actively forging ahead and a sense of urgency about opening up and advancing.

After reforming the economic system the focus of state capital investment should be major construction projects related to the national economy and the standard of living. We must not use even more investments to develop the local economy. The results of this tendency are already clearly understood. We must forge ahead and foster growth. As in Zhaozhou and other areas, we must also liberate ideology, be unafraid of difficulties, be unwilling to lag behind and give free rein to the spirit of being bold in making innovations. Without such a spirit not only will it be impossible to achieve unity and cooperation, it will also be difficult to do good work in any other area.

2. It is necessary to foster unity and cooperation, formulate plans and carry them out step by step in a planned way.

Developing lateral economic ties is a major reform in the economic system. It is necessary to carry out comprehensive investigations and studies, to formulate development plans that are geared to actual circumstances and to carry them out step by step in a planned way. To develop economic consolidation and formulate plans it is necessary to proceed from reality and to avoid stirring up evil winds. Once we encourage lateral ties we must not disregard conditions and try to establish contacts all over the place nor should we seek ties in form only and fail to stress practical results. This kind of unity would not be stable nor is it what we are promoting.

When formulating plans it is necessary to integrate them with the development strategies of that area. It is necessary to focus on the key issues in the superiority, characteristics, and growth of the economy in that area and formulate cooperative plans that coorespond to the development strategies of that area. I believe the focus should be on the following four things: (1) The exploitation of natural resources. (2) Improving the level of technology and management in existing enterprises, the key being to improve quality and reduce consumption. This involves a large number of important items. (3) Unite to develop new products and new technology and, most important, successfully reproduce advances and carry out technological transfer. (4) Successfully complete support facilities and the processing of spare parts for large enterprises and key products and undertake the task of making available products from large enterprises. At present, since all areas throughout the country have shortages of capital, we should emphasize developing joint production of famous products and goods in great demand on the market. As for strengthening technological cooperation, the key point is to focus on transferring technology from outside the province into the province, transferring military technology to civilian use, transferring urban technology to towns and villages, and transferring the results of scientific research to production, thereby increasing the technological level of existing enterprises. At the same time we should use cooperation to bring in and train technicians and, in qualified areas, we should actively bring in capital and jointly exploit our natural resources.

When developing lateral economic ties it is necessary to pay attention to neighboring areas. There are possibilities for joint cooperation within the province; we must not seek far and wide for what lies close at hand. Industry has a solid foundation in Heilongjiang, scientific and technical forces are also quite strong, and potential for joint cooperation is great. In fact, at present the critical areas for cooperation regarding capital, technology, and materials are within the province. Of course, both parties in joint cooperation must be agreeable. If no one within the province is willing to get involved or is unable then we should actively seek joint cooperation with provinces and cities in other parts of the country. In order to encourage cooperation between regions, cities, and towns within the province it is necessary to formulate plans, and establish areas of economic ooperation which are centered around large and medium-sized cities. These areas should have differing administrative levels, be of various sizes and all have distinctive features. We must encourage the spread of central cities, spur on industrial development in towns and closely link cities and towns so that they support each other and develop together. In particular, large and medium-sized cities should provide assistance geared to the needs of outlying districts and provide aid for economic development.

3. There must be more channels and more administrative levels in joint cooperation and a greater diversity of forms of joint cooperation.

The experiences of Zhaozhou and other advanced cities and counties have shown that only by opening up more channels, having more administrative levels and having a greater diversity of forms of economic and technological cooperation is it possible to promote the widespread development of joint cooperation and obtain even greater results. Having more channels means breaking through regional boundaries and the limitations of businesses and systems of ownership and organizing all businesses and trades to engage in joint economic and technological cooperation which cuts across regions and businesses. Having many administrative levels means that all levels in the province, in prefectures, in cities, in counties and in enterprises must start joint cooperation. Having a greater diversity of forms means that we should not stick to one pattern. Joint cooperation must be practiced in all spheres: economic, technological, personnel, material, and management. There may be jointly run plants, joint capital cooperative ventures, joint production sharing, processing of imported materials, processing of imported models, complete-set production, compensation trade, the introduction of technology, exchanging personnel, material cooperation, etc. In sum, if we can establish ties, then we should do so, if we can introduce new things, then we should go ahead, if we can expand then we must expand, and if we can learn something then we must do so. We may establish overall ties or ties for a single project; we may establish long-term ties or on only one occasion. If one form seems to be more advantageous, then implement that form. We should implement whatever form can be implemented. Through these ties not only can we upgrade enterprise standards, but even more important, we can acquire advanced technology, experiences and knowledge, train our own specialists and personnel, and lay a foundation for vigorously developing the economy.

Every prefecture and department must proceed from reality and clarify objectives while actively and on their own initiative develop various forms of joint cooperation involving numerous channels and administrative levels with coastal cities, industrially developed cities, universities and colleges, scientific research units and technologically advanced large enterprises. They must initiate a new era in economic and technological cooperation.

4. During joint cooperation it is necessary to uphold the principle of mutual benefit.

Mutual benefit is the basis for launching joint cooperation. Only by upholding the principle of mutual benefit is it possible to motivate the enthusiasm of various parties, encourage the development of unity and consolidate joint successes. When carrying out economic work it is necessary to pay attention to economic accounting and when developing economic and technological cooperation it is necessary to correctly handle the distribution of material benefits among the various parties. Although conditions for some projects are fine, often no agreement can be reached due to an inability to settle on the distribution of benefits. We comrades who engage in economic work ought to further liberate our thinking and broaden our scope of vision. Those who establish ties with only their own interests in mind and turn green with envy when others make a profit will, in the end, gain nothing. Therefore, if we intend to earn money we must let others earn money. Once each party can reap some profit there will be some basis for cooperation.

When developing economic and technological cooperation and unity, besides relying on the superiority of natural resources, it is necessary to rely mainly on the influence of policies. The State Council issued the "Temporary Provisions for Promoting Economic Unity" and in September 1984 they held a national conference on economic and technological cooperation and job-training assistance. Recently the State Economic Commission held a conference of heads of offices of economic cooperation who formulated some provisions for economic and technological joint cooperation policies. Based on related national and provincial provisions, each area must integrate local conditions and formulate favorable policies for developing joint cooperation. These policies must be effective and ensure that the distribution of benefits as stipulated in agreements or contracts be honored and that reputations be strictly preserved. When practicing joint cooperation we must not merely focus on immediate interests, we must keep in mind long-term interests and the interests of society. We must not only concern ourselves with the division of benefits, we must also consider the comprehensive economic results of production development.

5. It is necessary to strengthen leadership when implementing joint cooperation.

The scope for developing lateral economic ties is broad, the policy issues involved are very important, and the tasks are complex. It is essential to strengthen leadership and organize with great care. The chief leading comrades in government at all levels must take personal responsibility for work in joint cooperation. They must personnally organize, provide leadership, motivate forces in every area and successfully carry out each task. We must launch joint cooperation on a microeconomic level while, on a macroeconomic level, we must strengthen control, avoid randomly introducing new things, seeking quantity, and failing to stress results.

All offices involved in economic and technological cooperation are explicitly responsible for the organization, coordination, management, and inspection of work in economic and technological cooperation. They must strengthen and fully develop their necessary function based on requirements.

As for developing economic and technological cooperation within the province, the northwest economic cooperation planning office and the San Jiang economic cooperation planning office should play an even greater role. Not only should they plan and coordinate the exploitation and utilization of natural resources, they should also play a guiding role in economic and technological cooperation and in lateral ties.

III. All Departments Administered by the Province Should Actively Take the INitiative in Doing Good Work in Rendering Service

Responsible comrades in all government departments and some universities and colleges and scientific research units were invited to participate in this conference. The objective was for all provincial departments to take the first step forward, increase their awareness, unify their ideology and stand in the forefront of the revolution.

We must become fully aware that once enterprises directly under the various departments of the provincial government have transferred to a lower level, simplified administration and relaxed policies, the burden will not get lighter, on the contrary, it will get heavier and work requirements will be even greater. Consequently, a major changeover is required in terms of ideology, work, and workstyle. This means there must be a change from being primarily responsible to subordinate enterprises to being responsible to the entire business and providing macroscopic guidance for the entire field. There must also be a change from only emphasizing vertical ties to emphasizing lateral economic ties and results and growth in joint cooperation. We must not stress subordinate and direct supply enterprises but rather actively serve the business field. Take the machine-building industry for example. The economic results of subordinate enterprises rank 15th in the nation but they rank 20th in the entire industry. The results of other businesses are generally quite similar to those of the machine-building industry. Therefore, offices under provincial control must change from departmental management to management by the entire industry. Henceforth, one major criterion for assessing the work results of the various departments, bureaus, and companies under provincial control should be how well the provincial government develops the lateral ties of businesses and the extent of economic growth.

Departments under provincial control must stress the following items when organizing economic consolidation.

1. Stress overall planning: Each department must proceed from reality, carry out in-depth investigations and studies and, on the basis of analyzing the present conditions of a given business and system, assist each prefecture, city and county in clarifying the key points in development and cooperation. They must choose the target for consolidation and formulate plans during the Seventh 5-Year Plan for joint cooperation as well as plans to be implemented in 1986.

In order to promote joint cooperation, focusing particularly on developing the superiority of large enterprises so as to motivate the development of local industries, each department, bureau and company must take the lead and immediately deal with this work. All concerned departments, bureaus, and companies must suggest proposals and pay close attention to the organization and implementation of several major joint cooperation projects, the consolidation of sources of raw materials and processing enterprises, the consolidation of the timber industry and paper manufacturing, and the joint operation of key enterprises and small local enterprises.

All industrial departments, bureaus and companies must formulate plans for joint cooperation that are up to standards. They must aim at the national advanced level and carry out joint cooperation in production and technology with advanced domestic and foreign enterprises. They must comprehensively improve the level of local industry in Heilongjiang and product standards. Furthermore, they must develop some "hot-selling" products and improve the competitive ability of our province's products.

The provincial science commission, education commission, office for scientific work in national defense, institutions of higher learning and scientific research units must all formulate "short, fair and quick" science and technology projects that will yield good development results and produce the desired results quickly. They must also draw up plans for applying successes in science and technology to production, for transferring urban technology to rural areas, and for transferring military technology to civilian use. The provincial science commission must also organize and formulate plans for establishing a technology market and for establishing an integrated body of scientific research and production. The commission must also formulate plans for key science and technology projects involving urgently needed production construction during the Seventh 5-Year Plan.

All plans must be genuinely feasible and once formulated they must be earnestly and thoroughly implemented.

2. Stress organization and cooperation: Each department, bureau and company must make joint cooperation an important part of their agenda in their daily work. They must earnestly do good work in organizing local cooperation and cooperation outside their area in their field of business. They must periodically study how much progress has been made and take the initiative in helping to resolve problems in joint cooperation.

3. Stress information and consulting services: All departments under provincial control must give full play to their superiority in having extensive ties with various provinces and cities, a wide field of vision, quick access to information, being familiar with conditions in the entire field, and strong technical forces. They must do good work in the transmitting of information and consulting services. This is both a necessity for establishing lateral economic ties and an important measure for strengthening business management.

Each department must provide every prefecture and enterprise with information on production arrangements, on market supply and demand, on advanced technology, on equipment development, and on the quality, price, and specification of type of products in a timely manner. As for projects involving joint cooperation, it is even more necessary to provide advice on consolidation, the state of technology, economic results, and the allocation of benefits. It is also necessary to ensure that good economic and social results be obtained in joint cooperation.

4. All economic work departments subordinate to the province must make a concerted effort to uphold and encourage the growth of lateral economic ties. Joint cooperation is not only a matter of industrial departments, it is the common task of all economic departments. The close coordination and energetic support of each department is necessary otherwise it will not be possible to carry out joint cooperation, particularly joint cooperation on major projects. Consequently, all concerned departments must integrate their business operations, formulate methods, relax policies and do good work in providing support and rendering service. Planning departments must include plans for each level in joint cooperation projects according to the powers of project examination and approval. Procedures for project examination and approval must be simplified and accelerated. Material departments must provide guarantees for the supply of raw materials and energy resources to enterprises involved in development projects, joint production of name brands and new and top-quality products. Financial departments and banks must give top priority to allocating capital and credit to joint cooperation projects. Tax departments should, according to policy, provide special consideration to joint cooperation enterprises during trial production by reducing taxes or making them exempt from taxation. Railroad and communication departments should give top priority to arrangements for materials or products for joint

cooperation units as stipulated during negotiations. Industrial and commercial administrative departments must facilitate the handling of licenses for joint cooperation projects and for enterprises with diverse operations.

Conditions within the province and in other areas being equal, the successful results of scientific research in scientific research units and in institutions of higher learning must first be made available within the province. It is necessary to adopt various means, such as establishing integrated bodies of scientific research and production, buying shares in technology, and offering technical consultation to encourage enterprises with capital problems to make use of advances in science and technology. Outlying counties and counties with weak foundations must have preferential access to technology. We must support the economic development of these counties.

The anticipated objectives of this conference were obtained. It is hoped that each prefecture and department will earnestly implement the spirit of this conference. It is necessary to make every effort to publicize the experiences of Zhaozhou and other advanced cities and counties. It is even more important to do solid work, make a concerted effort and pay attention to and develop lateral economic ties so that economic work in Heilongjiang advances even further.

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CSO: 4006/811

FUJIAN ADHERES TO COMMON ECONOMIC DEVELOPMENT

OW170600 Beijing XINHUA Domestic Service in Chinese 0054 GMT 17 Mar 86

[Article by RENMIN RIBAO reporter Zhang Mingqin and XINHUA reporter Xie Jia]

[Excerpts] Xiamen, 17 March (XINHUA)--Fujian Province has implemented the economic strategy of developing both coastal and mountainous areas and promoting lateral relations and cooperation among the different areas of the province, resulting in the common development of both the "windows" and "hinterlands."

Since the policy of opening to the outside world was implemented, an open belt covering the Xiamen Special Economic Zone, the open city of Fuzhou, and the triangle open area in southern Fujian has emerged in the province's coastal areas. Mountainous areas, on the other hand, were restrained by various conditions, and their gap with the open areas in terms of economic construction became even greater. The Fujian Provincial CPC Committee and Government believed that in order to change such a situation, they must take into consideration the overall economic development strategy to push, step by step, the work of opening to the outside world from coastal areas to the interior and thus bring into existence different levels of economic development. The relations between them are that of "windows" and "hinterlands" and they should be mutually dependent and complementary.

Last summer, the provincial government organized five investigation groups, which, led by Governor Hu Ping, carried out extensive research and investigations in 29 counties and cities to explore ways of prospering in the mountainous areas.

On the basis of research and investigation, the provincial government formulated a guiding ideology for developing the mountainous areas: Promote cooperation between coastal and mountainous areas and division of labor among different areas, make the economy fan out in two directions, and ensure balanced development.

Last year the total industrial and agricultural output of 48 counties and cities in the mountainous areas was 10.4 billion yuan, an increase of 16.4 percent over the previous year. This shows that remarkable progress has been made in bridging the gap between the coastal and mountainous areas.

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CSO: 4006/955

ECONOMIC MANAGEMENT

ANHUI RURAL INDUSTRIES ENHANCE MODERNIZATION

OW160418 Beijing XINHUA in English 0230 GMT 16 Apr 86

[Text] Hefei, April 16 (XINHUA)--Anhui Province will continue to give top priority to rural industries over the next 5 years to accelerate rural modernization, Vice-governor Meng Fulin said here today.

Meng Fulin told XINHUA the province would continue to use policies such as tax incentives to encourage peasants to participate in nonfarm activities in rural areas.

"We're bringing science and technology from the cities to help industry and bolster the market-oriented commodity economy," Meng said. "The idea is to increase the number of rural towns and make the peasants prosperous."

Such policies of gradual urbanization and modernization of the countryside should enable China to avoid the massive social dislocation and urban overcrowding that has accompanied industrialization in much of the capitalist world.

Anhui's rural factories manufactured 8.52 billion yuan worth of goods last year, up 81 percent from 1984, according to the provincial Statistics Bureau. This accounted for 36 percent of the province's total rural output value, compared to 21 percent in 1984.

More than 3.3 million peasants, or 23.5 percent of Anhui's rural workforce, work in township-run factories, one million more than in 1984.

More than 2,000 rural factories processed 300 million yuan worth of products for urban enterprises last year, compared to goods worth 40 million yuan in the year before.

Trade at Anhui's 3,500 urban and rural free markets, encouraged by provincial policy, totaled 3.37 billion yuan last year, up 60 percent from 1984.

Local governments in Anhui have been encouraging rural service enterprises by providing land for their operations. As a result of this and other subsidies, 600,000 Anhui peasants work in hotels and shops throughout the province, and another 690,000 work in the transportation business. State-owned enterprises in Anhui's urban areas invested 90 million yuan in joint rural projects last year.

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CSO: 4020/289

BANKING OFFICIAL VIEWS FINANCING OF PRODUCTION

OW202249 Beijing XINHUA Domestic Service in Chinese 1623 GMT 19 Apr 86

[Article by reporter Wang Yingchun]

[Text] Beijing, 19 April (XINHUA)--Addressing the national conference on the extension of business loans, Huang Yujun, vice president of the Industrial and Commercial Bank of China, said that this year's banking operation should emphasize enlivening the operation of extending loans to large and medium-size enterprises by improving the supply and management of loans for circulating funds.

He said: Circulating funds should be available to all newly commissioned enterprises as long as their products have a high degree of marketability; and any enterprise which needs circulating funds to produce what the market needs should be supported. Business banks should help enterprises liquidate the debts they owe each other in order to forestall ill effects on a large number of other enterprises. In short, circulating funds must be available to enterprises. Production should be ahead of capital construction. Problems that hinder production must be resolved first. In case the needs for circulating funds for production clash with the needs of funds for capital construction or technical transformation, the needs of production should be met first. Banks should do all they can to meet the rational capital needs of enterprises for production and purchases, and should not stop extending credits simply on the ground that there is not enough money for loans.

Huang Yujun said: Although the amount of self-raised capital may not be enough for applying credit, a profitable enterprise should still be helped to ensure its production and circulation of goods first, and then to increase the amount of its self-raised capital. According to regulations, a newly commissioned enterprsie should have 30 percent of circulating funds it needs, but if it has difficulty raising the full amount, it can apply for special loans to make up the shortage.

He stressed: Improving the operation of extending loans for circulating funds naturally does not mean lending money to whomever wants it. Credit still should be tightly controlled for those enterprises whose products are of poor quality and are already in excessive supply, enterprises that have stocked up raw and semi-finished materials in short supply, enterprises that fail to take positive measures to dispose of their finished products which have tied up their capital, and enterprises that have a shortage of revolving funds because they do not want to sell their products in short supply.

Huang Yujun said: While emphasizing the need to enliven the operation of extending credit to large and medium-size enterprises on a selective basis, we should give priority to providing financial assistance to the large and medium-size enterprises in their production of goods in high demand, and should not ignore helping those enterprises that need our assistance.

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CSO: 4006/955

HUBEI RADIO DISCUSSES RURAL COOPERATIVE ECONOMY ISSUES

HK190333 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 18 Apr 86

[Excerpts] Listeners, at present many cooperative economic organizations with the focus on household operations and on providing services before, during, and after production have appeared in the rural areas. Some people are worried that these organizations might mean going back to the old road of egalitarianism, with everybody eating out of the same big pot.

Our reporter (Wang Hongli) has written an article on this issue, which says: Perfecting the cooperative system does not mean having everybody eat again from the same big pot. The article says: The cooperative system we are advocating today is completely different from the old pattern of three-level ownership based on the production team and of having everybody eating out of the same big pot in distribution. The cooperative system is based on household operation and on the principle of voluntariness and mutual benefit. It is cooperation, non amalgamation.

As far as management forms are concerned, in the past cooperation could only be practiced within administrative zones. The cooperative system can break through the framework of small zones and develop lateral economic ties.

Some peasants say the reason why they have misgivings is because they fear they may be forced to accept things they do not want. Actually, the central document has very clearly stated that in perfecting the cooperative system, it is necessary to start with service. It is impermissible to treat all cases the same way irrespective of the circumstances, and still less to adopt the method of a political campaign to popularize the system. As there are big variations between different places, there can be a variety of forms of the cooperative system, including long-term and short-term.

As to whether the masses are willing to engage in cooperation and what cooperation to undertake, we must respect the views of the masses and must absolutely not issue compulsory orders.

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CSO: 4006/955

XINJIANG HOLDS CONFERENCE ON TECHNOLOGICAL ADVANCEMENT

HK210442 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 18 Apr 86

[Excerpts] The second regional conference on technological advancement in enterprises ended on 18 April. The conference decided that this year the region would spend two-thirds of its technological transformation funds on promoting 49 technological transformation projects and bringing in 35 new technology items.

The conference believed that during the Sixth 5-Year Plan the region achieved fairly good results in promoting technological advancement of enterprises. However, most enterprises still have obsolete equipment, backward technology, and poor economic results. To basically change this backward situation, the key lies in strengthening technological transformation, promotion, and exploitation in the enterprises, in bringing new technology to the enterprises, and in vigorously promoting technological advancement of the enterprises. Particular emphasis should be placed on technological transformation of large and medium-sized enterprises, on key enterprises which play a leading role in promoting technological advancement in their field, and on enterprises which export their products.

The conference demanded that all localities, departments, and enterprises properly control funds for technological transformation, and establish the project responsibility system.

The conference stressed that extensively developing lateral economic ties involving different areas, departments, and trades is an important way to promote technological advancement of enterprises, and hasten the region's economic development. All localities must grasp the current favorable opportunity and adopt various methods to actively and extensively develop various kinds of lateral economic ties with other provinces and areas, particulary coastal areas and economically and technologically developed areas. In the meantime, it is necessary to bring into full play the influential role of key enterprises in the region, and to vigorously develop lateral economic ties within the region so as to upgrade the technological level and improve economic results of enterprises in the region in an all-round way.

Regional leading comrades Qi Guo, Tuohudi Shabier, and (Jin Yuanhui) attended the meeting. Qi Guo and Tuohude Shabier spoke.

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QINGHAI STRENGTHENS CONTROLS ON SHIPPING OUT MATERIALS

HK190523 Xining Qinghai Provincial Service in Mandarin 2330 GMT 18 Apr 86

[Excerpts] The provincial government recently issued a circular on the control of materials shipped out of Qinghai. The circular pointed out that animal hides are the province's main raw materials for the light and textile industries and materials for export. In order to ensure their supply, wool and hides may only be shipped out with the approval of the provincial planning commission after the provincial government has issued the appropriate certificates or receipts for the payment of the pasture improvement tax. The exception to this is those items that are shipped out by the provincial planning commission in accordance with the plans.

Finished steel, including ingots, billets, pig iron, and scrap iron and steel, and timber are materials in extremely short supply that are essential for production and construction in the province. Except for such materials shipped out by the state in a planned way to meet contracts, the shipping out of finished steel, timber, and scrap metals must be aapproved by the provincial planning commission. Pig iron can only be shipped out with the permission of the provincial materials bureau.

Musk and [words indistinct] can only be shipped out after production of a certificate from the provincial pharmaceuticals company. Cordyceps sinensis can only be shipped out after production of a certificate from the provincial department of foreign economic relations and trade. The provincial aquatics bureau must issue a certificate for shipping out aquatic products.

The railroad and highways transport departments must not transport the abovementioned products and materials without an allocation or export certificate. People who transport such goods privately will be dealt with by the industry and commerce administrative departments, which have the right to inspect and seize the goods.

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ECONOMIC MANAGEMENT

SHAANXI URBAN ECONOMIC REFORM MEETING CONCLUDES

HK220246 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 22 Apr 86

[Excerpts] The first Shaanxi provincial conference on urban economic structural reform concluded yesterday. Provincial CPC Committee Secretary Bai Jinian and Governor Li Qingwei pointed out at the closing session that the leaders at all levels must profoundly understand the great importance of lateral economic ties, tangibly strengthen leadership over economic structural reform work, vigorously publicize and popularize the experiences of Baoji City, and strive for a new breakthrough in Shaanxi's development of lateral economic ties this year.

Bai Jinian said: Establishing ties is the inevitable trend and objective law of modern economic development. It marks a great historic step forward. To profoundly understand the importance of lateral economic ties is a major issue to be solved by our cadres, especially the responsible cadres, who must exert efforts in this respect. This is related to the deepening of the entire economic structural reform with the focus on the cities and to the overall situation in invigorating Shaanxi's economy.

In recent years we have emphasized handing the enterprises down to the lower levels. This is correct. However, we have not yet achieved fundamental success in this respect. As far as the enterprises are concerned, they gain a new or even several new mothers-in-law, none of whom are particularly enlightened. The practice of the recent period shows that developing lateral economic ties may be a good way of solving this long-standing, great, and difficult problem.

Bai Jinian also pointed out: Baoji City has grasped the development of lateral economic ties and the integration of urban and rural areas as major tasks with a bearing on the overall situation. In doing so, the city has grasped the key. The breakthrough in their work could not have been achieved without enhancement of ideological understanding. Baoji City has paid attention to reforming various obsolete concepts that are out of step with the reality of the modernization drive, and established a new concept suited to the new situation of developing lateral economic ties and of joint development of the urban and rural areas. We should attach particular importance to this experience. This is actually a question of eliminating leftism and obsolete ideas and emancipating the mind.

The provincial CPC committee holds Baoji's experiences as highly practical and appropriate and of universal significance. They should be publicized and popularized with vigor throughout the province.

Bai Jinian also emphasized in his speech: We should bring into play the strong points of the defense industry enterprises and help them to solve practical problems in switching to production of civilian goods. No matter what form of economic tie is adopted, technological progress must be regarded as an important aspect. We must organize science and technology to go down to the countryside, and implement the "spark plan". We must also strengthen leadership over economic structural reform.

Li Qingwei stressed in his speech: The core of developing lateral economic ties is to develop production and improve economic results. All parties to the combines should develop together. The ultimate aim of reform is to find a way of building socialism with Chinese characteristics. At present, the reform is at the stage of switching from old to new. We must apply the concept of reform to solve problems in reform, to ensure that the reforms can further develop and that new systems can be established as soon as possible. At present, we should get rid of the concept that large factories, cities, and departments should not ask for help in anything, and actively develop lateral economic ties.

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FINANCE AND BANKING

JILIN REPORT ON 1985 ACCOUNTS, 1986 BUDGET

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[Report on the Jilin provincial 1985 final accounts and the 1986 draft budget given by Ning Xueping, director of the provincial finance department, at the Fourth Session of the Sixth Provincial People's Congress on 9 March]

[Text] Fellow deputies:

Entrusted by the provincial people's government, I will now give a report to this session on our province's 1985 final accounts and the 1986 draft budget for your examination and discussion.

1. 1985 Final Accounts

In 1985, under the leadership of CPC committees and governments at all levels, the people of various nationalities throughout the province conscientiously implemented the guidelines of the 3d Plenary Session of the 12th CPC Central Committee and the 3d session of the 6th provincial People's Congress, carried out reform persistently, strengthened the building of the socialist material and spiritual civilizations, and achieved sustained, stable, and coordinated development in the national economy. We conquered serious waterlogging and floods, and still reaped a fairly good harvest in grain production. Industrial production grew steadily, and its economic results further improved. Commodity circulation was increasingly expanded, the people's living standards continue to rise, and all social undertakings witnessed new development. On the basis of developed economy, both revenues and expenditures exceeded the previous records of the province. On the condition that the funds needed in wage and price reforms, antidisaster and rescue work, and the normal development of various construction projects were guaranteed, our province struck a balance between revenues and expenditures, with a small surplus, and satisfactorily fulfilled the 1985 budget.

1) Revenues

The provincial budgetary revenues of 1985, as approved at the Third Session of the Sixth Provincial People's Congress, totaled 1,801.87 million yuan. In implementing the plan, we increased the revenue budget by 78.86 million yuan according to state stipulations due to the collection of some new categories of taxes and the change of the system of administering some enterprises. The adjusted revenue budget was 1,880.73 million yuan.

The provincial revenues of 1985 totaled 2,166.73 million yuan. This plus the 205.6 million yuan allocated by the state for the storage of above-quota grain made the total revenues 2,372.33 million yuan, equivalent to 126.1 percent of the adjusted plan. In terms of comparable standards, this showed a 22-percent increase over the previous year. Revenues from some major sources are listed as follows:

a. The revenue from industrial and commercial taxes totaled 2,218.5 million yuan, an 8.2-percent increase over the adjusted plan. Calculated in terms of comparable standards, this showed a 16.3-percent increase over the previous year, which should be attributed mainly to increased production, expanded circulation, and the ever growing tertiary industry, as well as new taxes and price fluctuations.

b. The revenue from industrial enterprises was 464.65 million yuan, a 10.6-percent increase over the adjusted budget and, calculated in terms of comparable standards, also a 22.5-percent increase over the previous year. The substantial growth in industrial revenue should be attributed to the overall implementation of the second step of the tax reform and the method of target control on the taxes and profits delivered to higher authorities, in addition to developed production and fairly successful implementation of the series of policies and measures to invigorate enterprises, which boosted the enthusiasm of enterprises and their staff members and workers for increasing production and income and markedly improved economic results. Last year, local budgetary industrial enterprises throughout the province created 8,836.42 million yuan in output value and 1,874.94 million yuan in profits and taxes, increasing by 10.9 percent and 21.7 percent, respectively, over the previous year. Profits and taxes provided by per 100 yuan of output value rose from 19.32 yuan in the previous year to 21.21 yuan. In this way, we maintained a simultaneous growth in output value, taxes and profits realized, and taxes and profits turned over to the state.

c. Commercial revenue was 4.31 million yuan. In 1985, state commercial units continued to increase their sales, strengthened management, and slightly cut their spendings. The revenue was used to repay the debts left over by many years, whch totaled 60.15 million yuan. The deficit in hog production was categorized as an expenditure instead of a factor for reducing commercial revenue, and 55.2 million yuan was granted to this expenditure.

d. A total of 424.25 million yuan was returned to the state treasury due to the deficits of grain enterprises, which represented 99.7 percent of the adjusted budget. When deducting the above-quota storage fees returned by the state to the local treasury, the actual sum repaid to the state treasury was 218.65 million yuan, a decline of 19.25 million yuan from the previous year. This should be attributed to the method of allowing grain enterprises to share a portion of the deficits they had reduced, which was carried out after these enterprises were granted more financial power. Such a method enabled all localities to strengthen their sense of responsibility and improve their management. Their expense level declined from 19 percent for the previous year to 16.3 percent, and their profits from grain and oil processing increased by 11.6 percent over the previous year.

e. A total of 186.04 million yuan was used to subsidize the grain and oil price difference, amounting to 99.1 percent of the adjusted budget, and maintaining the same level as the previous year.

f. A total of 117.39 million yuan was used to subsidize the price difference of coal sold on markets, amounting to 94.7 percent of the adjusted budget, and increasing by 67.03 million yuan, or 130 percent, over the previous year. The increase in financial subsidy was mainly because coal purchasing price and short-distance railway transportation fees were raised, and the marketing price of coal sold on markets remained unchanged.

g. The revenue from the agricultural tax was 111.01 million yuan. Tax exemption and reduction were granted to disaster-stricken areas in a realistic way according to the degree of their losses.

In 1985, our province also fulfilled or overfulfilled the various tasks of fund collection for the state. The state assigned our province to sell 162.02 million yuan of treasury bonds, and we actually sold 165.81 million yuan, 2 percent over the plan. The state also assigned us to collect 135.48 million yuan of funds for key energy and communications construction projects, and we actually collected 236.5 million yuan, 101.02 million yuan more than the quota. The substantial increase in the energy and communications funds was chiefly attributed to the increase in extra-budgetary funds and the strengthened management of the fund collection work. According to the stipulations, the province retained 70 percent of the above-quota portion for its development in energy and communications projects.

2) Expenditures

The provincial 1985 expenditures as approved at the Third Session of the Sixth Provincial People's Congress totaled 2,070.06 million yuan. During the implementation of the expenditure plan, the state also assigned us some additional expenditures for special purposes. These additional expenditures, plus the expenditures arranged by local finance departments at various levels by making use of the surplus revenues of 1985 and of previous years, made the total expenditures 1,698.86 million yuan. Therefore, the adjusted expenditure budget was 3,768.92 million yuan.

The actual provincial expenditures for 1985 were 3,519.85 million yuan, 93.4 percent of the adjusted budget. Calculated in terms of comparable standards, the expenditures showed an increase of 18.9 percent over the previous year, and an increase of 153.2 million yuan over the quota that the state assigned us not to exceed. A few major categories of expenditures are listed as follows:

a. The allocation for capital construction totaled 492.42 million yuan, amounting to 94.8 percent of the adjusted budget, and registering a

45.8-percent increase over the previous year. The major reason for a substantial increase in capital construction allocation was that we used the above-quota energy and communications funds of the previous year to increase the investment in key construction projects by more than 45 million yuan. Last year, fund allocation was concentrated on key construction projects, such as the Dafangshen Airport, the Hunchun Power Plant, the provincial grand theater, and the provincial color television center. Finance departments at various levels also used local flexible funds to invest in the building of some urban residential housing, housing for retired cadres and intellectuals, and primary and middle school buildings.

b. Funds for enterprises to tap potential and carry out technical transformation, and subsidies to county-run industries totaled 342.44 million yuan, accounting for 96.9 percent of the adjusted budget. Deducting the above-quota profits and taxes turned over by enterprises, which were later categorized as an expenditure, they showed a 28.3-percent increase over the previous year. Funds allocated by finance departments at various levels to be used for technical transformation registered a substantial increase over the previous year. Arrangements were made for 500 technical transformation projects.

c. The expenditure in support of agriculture totaled 302.71 million yuan, amounting to 92.4 percent of the adjusted budget, and increasing by 13.8 percent over the previous year. The expenditure was used chiefly to expand paddyfields, support the development of animal husbandry and rural diverse undertakings, and promote the restructuring of the agricultural economy.

d. The expenditure for urban maintenance was 193.2 million yuan, amounting to 83.9 percent of the adjusted budget, and showing an increase of 19.2 percent over the previous year. After we began to collect the tax for urban maintenance and construction, most localities increased their funds for urban construction and used them in key areas on a priority basis, thus solving some problems in the people's lives which needed urgent solutions, such as urban water supply and drainage, housing, and communications.

e. The expenditure for culture, education, science and technology, and health undertakings totaled 914.94 million yuan, accounting for 98.7 percent of the adjusted budget, and showing a 21-percent increase over the previous year. Of the sum, education funds totaled 540.63 million yuan, 25.1 percent over the previous year; science funds totaled 18.09 million yuan, an increase of 22.2 percent; and health funds totaled 188.63 million yuan, an increase of 19.1 percent.

f. Administrative management expenses reached 298.92 million yuan, which was 98 percent of the readjusted budget, a decline of 10.05 million yuan, or 3.3 percent. The decline was attributable to the adoption of a series of measures for reducing administrative funds, and for ending the situation in which the administrative funds have largely increased every year. This has rarely been seen in past years.

g. Expenditures for pensions and social relief amounted to 93.84 million yuan, which was 65.6 percent of the readjusted budget, showing an increase of 52 percent over the previous year. Last year, our province was plagued by natural disasters in the agricultural sector; therefore, the state allocated additional special relief funds. The province and the disaster-stricken areas also increased the amount of relief funds, of which a part will be turned over for continued use in 1986.

h. Meat subsidies for residents totaled 178.7 million yuan, 9.7 million yuan more than the original budget.

i. Price subsidies for the purchase of above-quota grain reached 240 million yuan. Last year, these expenditures were directly allocated by the state, but beginning from 1985, such expenditures were included in the local budget. This correspondingly increased the local government's subsidies for this purpose.

j. The new category of financial working funds reached 70 million yuan. The state has called on all localities to allocate 4 percent of funds from their total expenditures as the working funds in their budgets; however, our province allocated only 2 percent of funds for this purpose.

3) The Situation in Balancing Revenue and Expenditures

The provincial revenues in 1985 totaled 2,166,730,000 yuan. Together with the state allocation for special purposes, funds carried over from last year, funds paid back by the state in line with the stipulations in the financial system, and the fixed-quota subsidies, which totaled 1,886,900,000 yuan, the province's total revenues reached 4,053,630,000 yuan. The province's total expenditures during the year reached 3,519,850,000 yuan. Excluding an expenditure of 26.43 million yuan which was handed over to the state for a special purpose, 318.35 million yuan of funds to be carried over to the next year for continued use, and the above-quota funds for key energy and communications projects, the net financial balance was 189,000 million yuan. Such a financial surplus was made in a planned way in response to the state demand of strictly controlling expenditures and in an effort to solve this year's difficulties after disasters. It will play a definite role in alleviating this year's contradictions between revenues and expenditures.

The budget of 1985 showed that our province's financial situation registered marked improvements on the basis of gradual improvements over the past few years. Financial revenues topped the 2-billion yuan figure. The structure of financial expenditures gradually became more rational and showed a fairly large increase. This was a comprehensive expression of our province's sustained, steady, and coordinated economic development and the unceasing improvements in economic results, as well as a result of the efforts of the people of various nationalities throughout the province to explore, advance, fight in unity, and work diligently to overcome difficulties in the year of reform and serious disasters.

In order to accomplish the 1985 state economic and social development plan and to fulfill the financial budget, we mainly carried out the following few tasks:

a. We vigorously reformed the financial and tax systems, and promoted development in production.

Further efforts were made to improve the financial management system and spark the enthusiasm of the localities in increasing revenues and reducing expenditures. In the beginning of last year. in line with the unified state arrangements, our province implemented the new financial administrative system of "determining categories of taxes, checking and ratifying revenue and expenditures, and assigning tasks to each level with the assigned tasks being valid for 5 years," and determined the financial responsibilities, financial capabilities, and power of the provincial, city and county financial departments at all levels. While implementing the financial system and checking and ratifying the contracted base figures. we adopted a number of flexible measures and methods in line with the province's actual situations, thus giving different levels of benefits and care to areas with fairly good economic conditions and areas with a poor financial situation. In the minority areas, we also adopted special methods, such as fixing the amount of funds to be handed over to the state and increasing the amount of subsidies. Meanwhile. we also delegated powers to some provincial-level enterprises in managing expenditures for special purposes. and allocated funds for supporting economically underdeveloped areas.

Over the past year. new financial systems were implemented with relatively good results. Revenues have increased in most localities, and the cash surplus after balancing revenues with expenditures has been more than that of the previous year. The new financial systems have fully embodied the principles of different levels holding different responsibilities, and "eating from different pots," and have enhanced the sense of responsibility of various localities in broadening sources of income and reducing expenditures, and in independently striving for a balance between their own revenues and expenditures, thus playing an important role in increasing the local revenues. making reasonable arrangements for expenditures. improving the utilization efficiency of funds, and promoting provincial economic development.

On the basis of substituting taxes for delivery of profits, we have continually implemented the method of administration over the targets of taxes and profits which should be handed over by large and medium-size enterprises to the state. thus sparking the initiative of these enterprises in increasing production and income. Last year, the budgetary industrial enterprises throughout the province netted 1,012.020,000 yuan in profits. Of this, 542.52 million yuan was handed over to the state; 454.87 million yuan was retained by enterprises and responsible departments, an increase of 103.55 million yuan or 29.5 percent over the previous year: the per-capita profit retention was 610 yuan. an increase of 125 yuan or 25.8 percent: the profits retained by commercial enterprises came to 94.5 million yuan, up 21.3 percent; and the profits retained by grain enterprises amounted to 92.03 million yuan, up 21 percent. The 136.65 million yuan of above-quota profits handed over by industrial and commercial enterprises to the state last year has all been allocated to enterprises according to the method of proportionate sharing of above-quota profits. All these funds have mainly been spent on technical transformation and development of new products of enterprises, thus strengthening the self-renovation and self-development capacity of enterprises.

Last year, some new reformative measures were adopted for financial and tax policies. Those budgetary industrial and commercial enterprises whose annual profits were less than 30,000 yuan were allowed to be exempt from income taxes. The 91 industrial enterprises which changed deficits to profits last year were also allowed to be exempt from income taxes. Regulatory tax reduction was enjoyed by such key enterprises as the Jilin Chemical Industrial Company, the Jilin Ferroalloy Plant, and the Jilin Carbon Plant, which increased the proportions of the fixed assets depreciation rate and the funds earmarked for comprehensive repairs. Those new products covered by the provincial plan for trial manufacturing also enjoyed exemption from or reduction of product taxes. As for those enterprises which used mid-term or short-term loans to carry out technical transformation, their loans can be paid with taxes or be paid before tax delivery within the limits permitted by policies. Preferential tax policies were adopted for brand name, better quality, and export products. Preferential treatment was also given to those enterprises which imported foreign capital, technical equipment, semi-finished products, spare parts, and fittings. Last year, a total of 308.9 million yuan in taxes and profits was reduced for or yielded to enterprises.

Although the above-mentioned reformative measures have had some influence on revenues at present, they will, from a long-term point of view, play an important role in mobilizing the initiative of all fields, in helping enterprises gain momentum, and in fostering financial reserves.

Last year, tax departments at all levels paid attention to exploiting the role of tax revenue as an economic lever, constantly explored new ways of promoting production and increasing income, helped enterprises change their traditional production and management methods, strengthened lateral economic integration, and promoted the development of production. According to statistics, the province carried out 2,242 projects for promoting production, which increased tax revenues by about 50 million yuan.

b. Proceeding from the overall situation on economic structural reform, we ensured the smooth development of wage and price reforms.

In 1985, we comprehensively carried out economic structural reform, focusing on the urban economy. In line with the demands of "being prudent in fighting the first battle and sure to win," giving consideration to financial capacity, and despite the conspicuous contradictions between the supply and demand of funds, various financial and tax departments adopted a series of measures to ensure the fund supply and the implementation of policies. At the beginning of this year, most cities and counties made initial arrangement in their budgets for the funds needed to carry out wage and price reforms. In March, at the provincial meeting of directors of financial bureaus, participants further studied and formulated eight measures for ensuring the supply of funds to be needed in carrying out these two reforms. As for a few cities and counties which truly have difficulties, the provincial financial department made proper arrangements for granting loans. By the end of 1985, in line with the spirit of the circular issued by the State Council on conducting reforms in enterprise wages, we also gave appropriate preferential treatment in financial and tax revenues to the state and collective-owned enterprises that had earned meager profits or suffered from losses, enabling them to enhance their capability in conducting self-capital readjustments. As a result, the overwhelming majority of staff members and workers of the enterprises were guaranteed receiving their raise in pay before the Spring Festival.

Meanwhile, financial subsidies for meat and vegetable consumption directly related to the people's livelihood increased in order to steadily upgrade the living standard. In 1985, the province appropriated 752.83 million yuan of subsidies for the people's livelihood. Of these subsidies, those for the price differences in grains, oil-bearing seeds, and cotton reached 190 million yuan; those for resident meat consumption, 178.7 million yuan; those for vegetables, 24.5 million yuan; those for coal consumption, 117.39 million yuan; those for soap and soap powder, 5.91 million yuan; and those for soybean by-products, 3.92 million yuan. The province ensured smooth progress in conducting wage and price reforms and maintained the situation of political stability and unity thanks to more properly dealing with problems cropping up in conducting reforms in the policies on finance, tax, and funds.

c. Efforts were made to actively adopt emergency measures to support the activities of combating disasters, conducting disaster relief, and enabling victims to provide for and help themselves by engaging in production.

Our province suffered the serious disaster of flooding and waterlogging in 1985. Under the benevolent concern of and help given by the CPC Central Committee and the State Council, the broad masses of party members, cadres, the people, and the PLA commanders and fighters won a victory in the work of combating the disaster and conducting disaster relief by uniting as one in rising against the disaster. To support the activities of combating the disaster and conducting disaster relief, the financial departments at all levels throughout the province appropriated as much funds as possible for the activities in a timely manner and also enforced the 20 measures of raising relief funds through self-reliance by means of making arrangements, cutting other spending, and carrying out investigation. We gave support and preferential treatment to 10 fields of production and livelihood in the disaster-stricken areas, and cut 48 million yuan of agricultural taxes and 32 million yuan of industrial and commercial taxes. To meet the emergency needs of combating the flood and rushing to deal with emergencies, the financial departments at all levels made fund arrangements in advance on many occasions.

In 1985, the state appropriated 170 million yuan of special disaster-relief funds; the provincial financial department appropriated 29.65 million yuan of coordinated funds for this purpose; and the county-level financial departments also appropriated 22.84 million yuan of funds for this purpose, totaling

222.49 million yuan. Of these funds, 57.14 million yuan was used for giving relief aid to victims; 48.23 million yuan was used for rebuilding or repairing the facilities of water conservancy, which were destroyed in combating the flood and rushing to deal with emergencies; 44.18 million yuan was used for the subsidies of restoring agricultural production; 33 million yuan was used for rebuilding or repairing the buildings of middle and primary schools, houses of culture and education, and public health units; 27.73 million yuan was used for rebuilding or repairing urban houses and municipal administrative installations; and 12.21 million yuan was used for the subsidies of rebuilding and repairing highway bridges and bridge piers damaged by the flooding.

Meanwhile, working funds for supporting agricultural production in disaster-stricken areas also increased. The province basically ensured the demand of funds for combating the disaster, conducting disaster relief, restoring production, and making arrangements for the victims' livelihood, and ensured housing, clothing, and food for the victims in a timely manner and immediate treatment of their illnesses. At the beginning of 1986, the work group dispatched by the State Council in charge of inspecting the arrangements and utilization of funds for conducting disaster relief fully acknowledged the method adopted by our province in coordinatedly using the funds for conducting disaster relief.

d. Efforts were made to establish special purpose funds in order to help the areas that are backward in the economy change their outlook in a down-to-earth manner.

Over the past few years, the province's state of financial affairs has become better year after year. However, some localities still have a weak economic foundation and have experienced more difficulties in financial affairs. In order to help them develop their economy, the provincial financial department established 30 million yuan of funds for supporting these areas to achieve development, and regarded as major areas for support activities in the eight counties of Qianan, Changling, Tongyu, Zhenlai, Jingyu, Changbai, Antu, and Hunchun, which have more difficulties in financial affairs; as well as the counties of Yushu, Dehui, Jiutai, Nongan, and Shuangyang which have taken agricultural production as a main task and have become more unitary in the economy.

At the beginning of 1985, the province gave certain preferential treatment to these areas in implementing the financial systems and fixing the basic figure for enforcing the responsibility system and appropriated some funds for temporary subsidies. The provincial financial department assigned some specialists and technicians to help these areas develop the economy, and also respectively sent two work groups to conduct investigations and studies among these areas for more than 4 months. They helped each and every county study and work out plans for developing the economy and measures for eliminating poverty and seeking prosperity, specifically inquired into projects for development and transformation among each and every enterprise, and conducted feasibility studies and scientific appraisals of these projects one after another. Through repeated investigations, they arranged several dozen projects with an investment of more than 18 million yuan such as the Qianan

Dabusu soda factory transformation project, the Zhenlai glassworks expansion projects, the Zhenlai paper mill expansion project, and a project for helping Jingyu pharmaceutical factory develop new products. Simultaneously, several larger projects entered the stage of feasibility study and the stage of making earlier preparations.

In accordance with the plan for striving to help two-thirds of the economically underdeveloped counties extricate themselves from a predicament in a step-by-step manner during the Seventh 5-Year Plan period in order to realize a balance between revenue and expenditure, last year, the provincial financial department allocated 9.76 million yuan of special funds to 42,572 poverty-stricken households. A total of 81,332 poverty-stricken households have been economically supported over the past 2 years. At present, 56,932 of them have extricated themselves from poverty, accounting for 70 percent of the total.

e. Open up and expand channels for credits, and raise funds for production and construction from many fields.

In order to solve the problem in which the province was short of funds for construction, the Jilin Provincial Economic Development Company was established last March [1985] with the approval of the provincial government. The company adopted measures such as issuing bonds and borrowing money with interest deducted to raise funds for developing our province's energy resources, transportation, and new products, bringing in new technology from abroad, and accelerating the pace of technological transformation. In 1985, the company arranged 490 projects of various categories with an investment of more than 87 million yuan. Of this, the company invested 17.84 million yuan in 7 projects for developing transportation and building materials, 33.93 million yuan in 168 technological transformation projects, 18.94 million yuan in 14 projects among economically underdeveloped areas, and 16.2 million yuan in 301 items of ordinary loans or loans with interest deducted. It is expected that upon the completion of these projects, the province's annual output value will increase by 650 million yuan, and the profits and taxes handed over to the state will increase by 130 million yuan.

Simultaneously, through issuing bonds, the company raised 65 million yuan of funds for the Tongliao power plant. A designed capacity of 250 million kwh of electricity could be distributed every year. The Tongliao power plant began to supply electricity last November. With the newly added electricity-generating capacity, the province will be able to increase 500 million yuan of output value and 100 million of taxes and profits every year.

f. Further readjust the structure of distributing financial resources and increase the results in capital utilization.

In order to speed up the pace of cultivating talented persons and developing the economy to suit the demands of the four modernizations, over the past few years the province continued to readjust the structure of distributing financial resources, and gradually increased the investment in intellectual development, the funds for technological transformation, the expenditure in supporting agriculture, and the essential expenditure in improving the livelihood of urban people.

The expenditure in culture and education increased. In 1985, the expenditure in cultural and educational, scientific, and public health undertakings increased by 483.19 million yuan or 111 percent over the 1980 figure of 431.75 million yuan. The annual average increase was 16.2 percent, higher than the annual average increase of 9.9 percent of the total expenditure during the Sixth 5-Year Plan period. The proportion of the expenditure on culture and education in the total expenditure increased from 24.9 percent in 1980 to 33.5 percent in 1985. Of this, the proportion of the expenditure on education in total expenditure increased from 14.9 percent in 1980 to 19.7 percent. Last year, the enrollment in the institutions of higher learning under the jurisdiction of the province reached 30,589 students, an increase of 13 percent over the previous year; that in secondary specialized schools was 42,477 students, an increase of 18.1 percent over the previous year; and that in adult schools and sparetime universities of various categories was 74,800 students. The province planned to invest 57.66 million yuan of funds in building schoolhouses and libraries in 1985. Schoolhouses and libraries with an area of 449,624 square meters of floor space began construction. A total of 52.97 million yuan of funds were used for these construction projects last year. Faster progress in the part-time work and study system was made last year. The total income from the work-study program reached 108.40 million yuan, an increase of 12.7 percent over the previous year.

We increased the investment in technical transformation. In 1985, the funds from our treasury which were used in technical transformation totaled 332 milion yuan, increassing by 143.47 million yuan, or 75.9 percent, over the 1980 figure of 188.73 million yuan. Technical transformation funds in the total expenditures rose from 8 percent in 1980 to 11.6 percnet. Throughout the year, arrangements were made for 28 technical transforatmion projects which required more than 1 million yuan of investment each. Economic results will further improve after these projects go into operation.

We increased the expenditure in support of agriculture. In 1985, the budgetary funds in support of agriculture increased by 36.79 million yuan over the previous year. In addition, arrangements were made to allocate 68.53 million yuan of circulating funds for various projects in support of agriculture. These funds were used mainly in expanding fields of paddy and upland rice by 660,000 mu, building 300,000 mu of artificial grassland, planting 235,000 mu of forage grass by man or by airplane, increasing fish ponds by 6,500 mu, building 2,065 mu of fish-breeding ponds, and supporting specialized and key households, and various economic associations to build 1.376 million square meters of ginseng fields, plant 2.633 million grape vines, and increase 108,000 head of hogs, cattle, and sheep, and 5.02 million head of poultry. They were also used to support 1,243 enterprises to buy new equipment, upgrade production technology, expand production capacity, and improve production conditions.

We increased the expenditure for improving the living conditions of the urban people. In 1985, the urban maintenance funds were 107.61 million yuan, or 120 percent, more than in 1980. By the end of 1985, 24 waterworks had been built or expanded, and their daily capacity reached 744,000 tons. Last year, 72 km of water supply pipes were laid or repaired, 64 km of water drainage pipes were laid, and 1.705 million square meters of residential housing were built. Urban people's per-capita living space reached 4.5 square meters, and another 45,000 households moved to new houses. Last year, we also built or repaired 260,000 square meters of urban roads, and improved public transportation facilities and gas supply.

g. We carried out large-scale tax and finance inspections, and strictly enforced financial and economic discipline.

In 1985, province-wide tax and finance inspections were conducted with the guidance of the work group of the State Council. The large-scale inspections were characterized by the large number of personnel who were mobilized to conduct the inspections, and by their large scale, long period, and fairly good results. Byu the end of last year, 97 percent of the enterprises had conducted self-inspections, and 50 percent of them had been reinspected, and 167.02 million yuan of illegal funds was unearthed, of which 92.16 million yuan had to be turned over to state coffers. A total of 78.9 percent, or 72.68 million yuan was already turned over to state coffers. This played a definite role in strengthening finance and tax work, and the financial management of enterprises, strictly enforcing financial and economic discipline, dealing blows to serious economic crimes, ensuring the smooth progress of the economic structural reform, and facilitating a fundamental turn for the better in party style and social conduct.

Generally speaking, the financial situation of our province was good in 1985. However, some problems which merited our attention also became evident during our implementation of the budget plan.

First, some enterprises were poor in management, and increased their deficits because of a failure to completely offset the increased production cost brought about by price adjustment. The production cost of comparable products of the budgetary industrial enterprises throughout the province rose by 4.7 percnet, and their deficits reached 82.93 million yuan, 33.56 million yuan more than the previous year. Loss-making enterprises grew from 58 to 115. We should pay great attention to this problem.

Second, the work in various fields which we should have done remained great. Despite the fact that enterprises solved some problems left over from previous years, their remaining problems were still many by the end of last year because of the poor foundation of our province and the large amount of remaining problems. In urban maintenance, there were also problems remaining in road maintenance, water supply and drainage, and gas supply. Time and financial sources are required to solve these problems. The financial situation of our province has increasingly improved over the past few years, and we have had a financial surplus for many years, but departments still need to lead a frugal life. We should persist in making careful calculations in line with the principle of working hard and practicing economy, try all possible means to economize on some unnecessary spending, and strive to solve some unresolved problems within a short period of time.

Third, there were too many new members in the financial and tax cadre ranks, and their political and professional levels were far from meeting the needs of the development situation. The management of financial affairs and tax revenue was not strict enough, the financial and economic discipline was loose, and the problems of tax evasion or delaying tax payment remained unresolved. All these problems should be conscientiously solved in our future work.

2. 1986 Draft Budget

The year 1986 is the first year for implementing the Seventh 5-Year Plan, the second year for promoting economic structural reform and the reforms of the educational and scientific and technological systems, as well as a year of a fairly great number of difficulties after the province's serious natural disasters. Properly arranging and organizing forces for realizing this year's financial budget is of great significance on accelerating the pace of invigorating the province's economy, consolidating and developing the current excellent situation, and realizing the various economic and financial tasks during the Seventh 5-Year Plan period.

This year's draft financial budget is made in line with the guidelines of the National Financial Work Conference and the province's state-ratified financial revenue target, and the province's 1986 draft economic and social development plan, and in the light of the fulfillment of the 1985 financial revenue and expenditure plans. The general guiding ideology should be:

1) making continued efforts to support the economic structural reform, strengthening enterprises' operation and management, striving to raise economic results, and realizing a simultaneous growth of industrial production and financial revenue;

2) laying emphasis on invigorating large and medium-sized enterprises, rationally readjusting the financial and tax revenue policies, actively supporting enterprises to carry out technical transformation and to develop new products, further intensifying the capabilities of enterprises in transforming and developing themselves through self-reliance, and developing reserve financial resources; and

3) making proper arrangements for financial expenditures in line with the policy of acting in accordance with one's ability, guaranteeing key projects while giving consideration to general projects and balancing revenue and expenditures, actively supporting the two civilizations, further improving conditions for agricultural production, speeding up the pace of training competent personnel, and making continued efforts to improve the material and cultural lives of the urban and rural people.

This year's budgetary revenue and expenditures have three fairly big changes: First, the state has decided to categorize the various price subsidies for cereal oil, coal for markets, vegetables, and pork and some operational funds as an expenditure instead of a factor for reducing revenue. After such a practice, all price subsidies will still be given in line with the existing method of giving subsidies. The operational funds should be ratified and allocated in line with the management method of fixing the quota according to a fixed number of personnel. Second, the large and medium-sized enterprises which have implemented the method of fixing the quota of profits to be handed over to the state should calculate the income and regulatory taxes in line with the second step of the system of replacing profit delivery with tax payments and such taxes should be included in the province's revenue plan; the above-quota portion should also be included in the provincial expenditure budget. Third, this year the state has decided to raise the standards of giving operational funds for grain and oil businesses, which will help in correspondingly reducing the deficits in grain enterprises. We should properly readjust the contracted base figures of deficits of the grain enterprises in various localities.

In line with the above-mentioned principle and changes, the 1986 budgetary revenue is planned to be 2,569,140,000 yuan, a net increase of 196.81 million yuan or an increase of 8.3 percent over the previous year. Together with the revenue of 405.86 million yuan after categorizing price subsidies and allocation of operational funds as an expenditure instead of a factor for decreasing revenue, and a revenue of 99.62 million yuan after raising the standards of giving operational funds for grain and oil businesses, the total revenue should reach 3,074,620,000 yuan. The arrangements for revenues from various sectors should be:

1) Revenue from industrial and commercial taxes is budgeted at 140.85 million yuan, an increase of 166.5 million yuan or 7.5 percent over the previous year.

2) Revenue from agricultural tax is budgeted at 140.85 million yuan, which is suitable for a normal year.

3) Industrial revenue is budgeted at 539.1 million yuan, a 7.8-percent increase over the previous year in terms of comparable standards of calculation after deducting the increase of 38 million yuan of revenue obtained from putting the price subsidies and operating expenses under the category of expenditures.

4) Commercial revenue is budgeted in line with the principle of not delivering it to the state and not granting any subsidies. After putting the deficits incurred from hog and vegetable sales under the category of expenditures, state-run commercial departments should deliver more than 80 million yuan of their profits to the state. But taking into account relatively more problems left over by history in the field of commerce, the revenue which should be delivered to the state will be used to solve these remaining problems.

5) Revenues from forest, industrial, transport, cultural and educational, construction, and supplies enterprises are budgeted at 75.62 million yuan, basically equal to those of last year.

6) Subsidies to make up for losses of agricultural, animal husbandry, and aquatic products enterprises are budgeted at 10.5 million yuan, 3.61 million yuan more than last year. This figure has been set in line with the method that agricultural, animal husbandry, and aquatic products enterprises hold responsibilities for their own losses.

7) Subsidies to make up for losses of grain enterprises are budgeted at 71.45 million yuan. This year the transportation fees for grain and edible oil between different provinces will increase, the operating expenses in allocating grain and edible oil to other provinces will fall within the category of expenditures, and a part of the deficits from grain sales will be made up through other channels.

8) Subsidies to make up for losses of labor reform and labor reeducation departments are budgeted at 9 million yuan, equal to those of last year after adding the 10 million yuan of operating expenses which have been catalogued into expenditures.

9) Revenues from other fields are budgeted at 25 million yuan. Of this, 20 million yuan is from pollution draining charges and water resources fees.

In 1986, the province will sell 159.02 million yuan of treasury bonds, 3 million yuan less than 1985; and collect 201 million yuan of funds for developing energy, transport, and other key projects.

The 1986 budget on expenditures is arranged in line with the present financial systems and the financial capacity of the same year, and in accordance with the principles of acting according to our capacity, and striving to ensure key projects with due consideration to ordinary projects. The total revenue of the province is budgeted at 3,573.97 million yuan. Of this, revenues from the province amount to 3,074.62 million yuan, and revenues from the subsidies of the central authorities amount to 499.35 million yuan. In line with the principle of maintaining a balance between revenues and expenditures, the total provincial expenditures are budgeted at 3,573.97 million yuan. Of this, 3,504.26 million yuan will be spent within the province, and 69.71 million yuan will be delivered to the central authorities.

In the provincial budget, various items of normal expenditures will reach 2,368.29 million yuan, an increase of 262.74 million yuan or a 12.5 percent increase over the previous year. The arrangements for major expenditures are as follows:

1) Allocations for capital construction amount to 196 million yuan, an increase of 40 million yuan or 25.6 percent over the previous year. This includes the investments arranged for the newly added key large and medium-sized enterprises and for the reserve funds to be used by various cities and counties.

2) Funds for tapping the potential of enterprises and carrying out renovation projects amount to 204.26 million yuan, an increase of 40 million yuan or [illegible].3 percent over the previous year after deducting the 112.49 million yuan [illegible] above-quota funds delivered by industrial enterprises to the state, which fall within the category of expenditues. These funds will mainly be used by key enterprises to carry out technical transformations and develop new products.

3) Expenses in science and technology amount to 17.29 million yuan, an increase of 6.6 million yuan or 61.7 percent over the previous year. In line with the guidelines of the provincial scientific and technological work conference held last year, more increases should be effected in the funds earmarked for scientific and technological undertakings; and various cities and counties should also establish the scientific and technological development fund in light of their financial capacity. The amount of scientific and technological development fund should increase year by year.

4) Expenditures in support of agriculture amount to 281.26 million yuan, 33.67 million yuan more than the 1985 figure. This year, the national budgeted expenditures will increase by 13.6 percent.

5) Urban maintenance funds will amount to 171.34 million yuan which, when deducting the 20 million yuan for special purposes which comes from pollution discharge fees and water resources fees, will be 46.49 million yuan, or 44.3 percent more than last year's budget. This category of expenditure comes chiefly from the urban maintenance and construction taxes collected by various localities. Various localities may also spare some funds, in line with their financial capacity, to solve the problems in drinking water supply, housing, and communications of urban people.

6) Culture, education, science, and health funds will total 1,001.46 million yuan, an increase of 17.7 percent, or 150.6 million yuan over last year's budget. The increased portion accounts for more than 40 percent of the increased part of the province's normal expenditures. In the field of education expenditure, because the wage readjustments for primary and middle school teachers were put into effect in January last year, there were no such problems as "year-end spending hike" which exists in other fields. The national budget for education funds increased by 16.9 percent over the previous year; our province also makes its arrangements according to this percentage. The increased education funds will be used mainly in improving teaching facilities and teaching quality. The increased health funds will be used mainly in improving medical conditions, and upgrading the results of medical treatment. Due to the price readjustments of nonstaple foods, board expenses for athletes increased considerably, for which proper arrangements have also been made when budgeting sports funds.

7) Pensions for the disabled or for the family of the deceased, and social relief funds total 59.64 million yuan, 9.94 million yuan, or 20 percent, over the budgetary amount of last year, mainly because such pensions and funds will be raised, and relief funds will be extended to poor rural households plagued by disasters.

8) Administrative funds will be 303.29 million yuan, increasing by 13.5 percent, or 36.07 million yuan, over last year's budget, and maintaining the same as last year's actual spending. This has been arranged in line with the state's call for continuous cuts in administrative spending.

In addition, arrangements have been made to appropriate 15.78 million yuan for the technical transformation of county-run industries, 73.93 million yuan for the operation of industrial, communications, and commercial departments, 13.35 million yuan for the employment of urban youths, 7.3 million yuan for militia and civil defense projects, 26.81 million yuan for simple construction projects of grain and farm machinery enterprises, and 144.34 million yuan for the operation of industrial and commercial administrative, and tax departments, for supporting economically underdeveloped areas, for geological prospecting, maintenance of construction projects suspended or postponed, and other purposes.

The total reserve funds of the province will be 103.65 million yuan, which were arranged in such a way that they account for 3 percent of the total expenditures of the province.

In order to solve some problems that require urgent solutions, we also earmarked some spending for special purposes, such as, to name the major ones, the technical transformation and the development of new products of large and medium-sized enterprises, the elimination of the urban two-shift primary and middle schools, the development of higher educational teachers' training institutions, the "spark plan", the activities of old cadres, urban maintenance, the installation of radio and television equipment, the irrigation of suburban vegetable fields, the cultivation of fine strains, the development of lean-meat hogs, the maintenance of party schools and cadres' schools at various levels, and the operation of reformatories. Loans with interest deducted are also arranged especially for the development of the tertiary industry, and the conversion of grain. Funds for the above-mentioned special purposes total 103 million yuan, an increase of 63 million yuan over the previous year.

Generally speaking, the provincial revenues and expenditures for 1986 were rather strained. First, the province's losses in agriculture because of disasters last year will affect, directly or indirectly, this year's industrial and agricultural production, commodity circulation, and revenues and expenditures. In terms of revenues, the decreased grain and cash crop production will affect both the production of the industrial products with farm and sideline products as their raw materials, and the scale of commodity circulation, and therefore, cause a decline in revenues. In terms of expenditures, an increase in spending is necessary because the productive forces of disaster areas should be restored, subsidies for fertilizer prices and maintenance of farm machines should be increased, further arrangements should be made for the lives of peasants, and some school buildings and housing should be repaired.

Second, in launching the drive of conducting reforms in economic systems with the work emphasis on urban reforms, efforts should be made to "consolidate, expand, and improve the drive and to make up for the missed lessons in the drive" this year, thus bringing about a greater strained situation on the financial revenues and spending than in 1985. Increasing the rate of depreciation and cutting the regulating taxes this year, increasing the prices of short-distance railway transportation and the interest rate of bank loans in 1985, and the wages readjustment among the enterprises in 1985 will have a greater influence on financial revenues. The devotion to continuously curtail the scope of investment in fixed assets this year, the dull sales of movable machines [5887 6382 2623 2750], and production restrictions imposed on the industries of processing machines that render service to capital construction will also have a certain influence on financial revenues. Half of the former central subsidies for the price fluctuation of imported chrome ore, which will be taken up by the provincial authorities, will also have an influence on financial revenues this year. Expenditures will also show an increase greater than that of 1985 because the administrative and business units that have begun to readjust their wages since 1985 will not only incur the "problem" of storing an increase in spending by the end of 1986, but will also encounter the tasks of bringing the wage system of personnel duties in line with the ordinary wage scale, enforcing the wage system of technical duties, conducting pay raises in line with seniority, and allowing some localities to readjust their wages. Bringing market prices of nonstaple foodstuffs under control will also bring about a new increase in spending. Meanwhile, the local burden in financial affairs will show a great increase because a change of investment channels in fixed assets has taken shape in the course of conducting reforms in economic systems and the major projects of capital construction and technical renovations, which have been financed by the state, will require local authorities to appropirate coordinated funds to them.

Third, in order to enhance the reserve strength in developing the national economy and to foster reserve financial sources, efforts should be made to increase new investment in fixed assets, to engage in developing new products, to support the "spark plan", to develop the undertakings of science and education, and to strengthen agriculture, the foundation of the national economy. All of these require the financial departments to appropriate more funds to them.

Fourth, efforts should be made to make up for the missed lessons of the past, and to deal with the emergency problems closely related to production, business development, and the people's livelihood, such as dealing with the debts of industrial and commercial enterprises, solving the problem in which urban middle and primary schools still have the two-shift system and the problems cropping up in higher education on training teachers, and making up for the missed tasks in urban construction. All of these will have an effect in the decrease of income and increase of spending and will bring about a greater strained situation on the province's financial situation.

The revenue budget that has been submitted to the session for examination has been fully extended. If we took the greater factor of decreasing incomes into consideration, the practical scale of increase would reach 15 percent and would surpass the speed of production development. We have done our best in making spending arrangements in which, of course, it is hard for us to saturate every demand put forward by every circle. Therefore, the task to achieve a balance in the budget this year is quite heavy. Of course, we should also discern the favorable conditions for fulfiling the revenue and spending budget.

First, leading organs at all levels should take the lead in straightening out party style, blocking various malpractices, and in enhancing the political and ideological work in order to further ungrade the political quality of the broad masses of cadres. All of these constitute an important guarantee for implementing the party's principles and policies.

Second, while gradually carrying out reforms in economic systems, efforts should be made to achieve harmonious relations daily among the proportions of sectors in the national economy and to bring about a sustained increase in industrial and agricultural production. The supply of energy resources this year will become better than in 1985 and the output of products in short supply, which have been adversely affected by the energy shortage, will show an increase. A number of projects on technical renovations and developing new products should be put into production this year with production results. This is the material foundation for increasing financial revenues.

Third, at present, various aspects have great latent power in financial and economic work. In 1985, the industrial enterprises covered by the budget throughout the province surpassed their cost budget by 4.7 percent and showed a 68-percent increase in losses over the 1984 figure. Their rate of tax evasion reached 34.2 percent. Only by vigorously grasping the tasks of consolidating enterprise business and management, switching losses to profits, strengthening financial supervision, and blocking various loopholes can we score great results. Therefore, we should correctly analyze and estimate the current situation in the province's financial and economic affairs, make full use of the favorable conditions, overcome all unfavorable factors, vigorously tap out latent power, and increase our incomes and curtail our spending in order to strive to fulfill or overfulfill the financial budget this year. Efforts should also be made to look ahead and behind in order to make necessary preparations as much as possible for 1987.

3. Strive To Successively Fulfill the 1986 Budget

In order to consolidate and develop the current excellent financial and economic situation, and to successfully fulfill the provincial financial budget for 1986, we should strive to create three new levels in economic results, foreign exchange earnings from exports, and operation and management in line with the demands of the provincial CPC committee and government on achieving a sustained, steady, and coordinated development in the industrial sector. In agriculture, we should strive to restore grain production to the level prior to the natural disasters. In animal husbandry and the development of township enterprises, we should achieve much progress and should put emphasis on the following fields of work:

1) We should actively collect funds to support grain production in an effort to restore it to the level prior to the natural disasters, and to promote the development of animal husbandry and township enterprises.

In line with the demands of the 1986 Document No 1 of the CPC Central Committee and the rural work conference of the provincial CPC committee, we should increase the aid-agricultural funds and all kinds of working funds in support of agriculture, actively support the readjustment of the rural economic structure and the planting structure through adopting various kinds of supportive and preferential policies, and vigorously promote the development of animal husbandry and township enterprises in order to restore grain production to the level prior to the natural disasters in a short period of time. This year, in promoting grain production, we should increase the allocation of special funds for developing paddyrice and give priority to supporting and developing paddyrice production. It is necessary to firmly grasp the work of repairing projects and facilities damaged by floods, do a good job in farmland capital construction, and further improve conditions for agricultural production.

Continued efforts should be made to support the popularization and application of new agricultural technologies, vigorously import, breed, and popularize fine crop strains and varieties, and strive to transform agricultural scientific and technological findings into actual production forces within a short period of time. While supporting the development of diversified undertakings in the rural areas, we should fully display the favorable conditions of natural resources in the western grassland and the eastern mountainous areas, and speed up the pace of turning the rural economy into one of comprehensive development in agriculture, forestry, animal husbandry, sideline occupations, fisheries, industry, commerce, service, building industry, and transport business.

In promoting the development of township enterprises, in addition to allocating necessary special financial funds, we should also actively support the development of the service trades that are closely related to grain conversion, including the food and animal feed processing industry, the farm and sideline production processing industry, and the storing, packing, and transporting businesses through granting interest-deducted loans. Furthermore, we should also give the small mining enterprises, small hydroelectric power stations, and the building materials industry necessary support and preferential policies in terms of financial and tax revenues, lead them in coordinating their work with large industrial enterprises, and raise the product quality and technical methods of township enterprises.

2) We should focus the work on invigorating large and medium-sized enterprises, and make a new breakthrough among enterprises in raising economic results, carrying out technical transformation, and creating more foreign exchange earnings through exports.

In order to further instill vitality into large and medium-sized enterprises, the financial departments at all levels throughout the province should closely coordinate with the relevant departments, and adopt the following measures this year in line with the stipulated transformation plans and the recent implementation program in the course of arranging for and utilizing the funds for special technical transformation projects:

--We should gradually implement the method of categorizing the depreciation funds for fixed assets, properly increasing technical transformation investment and loans and the amount of interest-deducted loans.

--While actively supporting key technical transformation products, we should restrict in a planned manner the "bottleneck" items in the province's economic development. The above-mentioned projects are rather difficult; therefore, it is necessary to adopt a series of preferential measures in terms of financial and tax revenue policies and funds, and gradually solve the province's "bottleneck" problems in the course of economic development.

--We should exert strenuous effort to grasp the construction of some projects with short construction periods, quick results, and great returns in order to expand a new source of financial revenue and increase reserve financial resources.

--We should support the building of bases for producing export products that can create foreign exchange earnings. This year we should promote the production of some key products to be exported to earn foreign exchange, conscientiously carry out the state's new stipulations regarding export products and, in line with the actual conditions of our province, grant them necessary financial and tax preferential treatment in order to encourage enterprises to produce more new goods to enter the international market and enhance their ability for foreign exchange earning.

--We should strengthen financial management, and stop deficits and increase profits with great effort. This year we should make the increase in the profits of profit-making enterprises higher than their increase in output value, and strive to fulfill the profit targets and the targets of profits to be turned over to higher authorities assigned by the provincial government to enterprises of various localities. The number of money-losing products of profit-making enterprises should be reduced by 40 percent, and the deficits caused by them should be reduced by 20 percent. Deficits due to implementation of policies should be reduced to the minimum, and the deficits resulting from poor management should be basically eliminated.

--We should further consolidate and perfect such economic responsibility systems as "banks within plants", contracts within plants, and making the accounting units smaller, strive to reduce production costs, strengthen fund management, speed up the turnover of circulating funds, increase readily marketable products, greatly reduce stockpiles, and continuously increase the self-digesting and competition ability of enterprises.

--We should continue to strengthen the basic work for enterprise management, and gain more economic results, funds, higher levels, and reserve strength from improved management.

3) We should increase the returns of funds, and strive to upgrade our expenditure management to a new level.

This year's expenditure budget shows a considerable increase, and allocation of special funds for some key projects is also arranged. We must manage these funds successfully, and put more effort into making these funds yield more returns. Efforts should be concentrated in order to complete as early as possible the projects in which the expenditure has been budgeted, and which should and can be carried out. With regard to the projects which cannot be carried out for the time being, we should postpone them, and should never arbitrarily increase the number of projects to make the construction scale too large. Finance departments at various levels must not think that their tasks are over when funds have been allocated, but should pay attention to the results of the fund allocation, report the results when they are making final account reports, and link all spending with economic, ecological, and social benefits. Finance departments should closely coordinate with auditing departments to actively advocate and gradually popularize the system of submitting reports on the results for auditing departments to audit. All the localities and units which enforce this system will not be allocated funds unless their reports have been checked and ratified by auditing departments.

Finance departments at various levels should actively participate in the planning and financial management for local capital construction and technical transformation projects, and closely coordinate with pertinent departments to establish the responsibility system for every project, and strengthen the examination and management of its process--from the feasibility study and appraisal of the project to its completion and operation--in order to yield more returns from the investment.

4) We should actively support the production of economically underdeveloped counties, and strive to make them achieve a new change in their economic features. On the basis of the work carried out in the previous years, some new measures should be adopted in 1986 to support the economically underdeveloped counties:

--In order to develop the production of such counties, beginning this year, 30 percent of the fixed-quota subsidies will be appropriated in advance at the beginning of a year for counties to arrange the projects involving technical transformation measures which require less investment and shorter construction periods, and yield better economic results; the advance appropriation will be offset by the increased revenue of the same year.

--The construction taxes collected by economically underdeveloped counties can be retained by themselves for use in the technical transformation of industrial enterprises.

--After obtaining special approval by the province, preferential tax reduction and exemption may be granted to the enterprises and the products that need such preferential treatment, and subsidies may be increased properly for the decreased local revenues caused by such treatment.

--When selecting the projects in which investment will be made, the province should strive to give priority to the projects of such counties on the premise that the conditions for the projects are basically the same.

--We should adopt various measures to properly increase investment in the intellectual resources of these economically underdeveloped counties.

5) We should consolidate and improve the financial and tax structure reforms, and strive to effect improvement in the financial and tax management level.

Strengthening financial and tax management constitutes an important part of exercising macro-control over the entire national economy. In 1986, we should actually improve our financial and tax management. We should further strengthen the management of tax revenue in order to fully exploit the function played by tax revenues in regulating the economy and accumulating funds. Active support should be given to enterprises to carry out technical transformations, develop new products, and export brand-name and better-quality products.

As for the prospective enterprises with difficulties in paying taxes temporarily, tax exemption or reduction can be given to them in line with the stipulations of the present tax revenue management system. Because we face an arduous task for organizing revenues this year, we must conscientiously implement tax policies, strictly exercise the powers to examine and approve tax exemption and reduction, and vigorously organize revenues. In light of the problems discovered during the general inspection on tax and financial affairs conducted last year, we should study and draw up measures for eliminating loopholes in this regard, gradually establish a scientific and strict collection and management system, and constantly improve the level of collection and management. This year, we should strive to reduce the rate of mistakes and loopholes in tax collection and financial management by 2-3 percent. We should attend to perfecting the tax system. Along with the development of the pricing structural reform, we should strengthen investigations and studies, and attend to propagation and explantion on the new categories of taxes in order to ensure the smooth collection of these taxes and the smooth implementation of the readjusted policies.

This year, town and township financial management should be brought under a normal path. We should rapidly establish town and township financial management organs in most cities and counties, establish and improve the town and township financial management system, further define the limits of revenue and expenditure management of town and township financial organs, formulate and improve management methods, and give full play to the role of town and township financial organs in organizing revenues, controlling expenditures, and promoting the development of the rural commodity economy and various other undertakings. At the same time, we should pay attention to establishing financial organs in various districts. Active support should be given to those counties which carry out comprehensive economic structural reform on a trial basis, and the powers of these experimental counties in financial management should be expanded appropriately.

In line with the demand of the Ministry of Finance to strengthen the management of extra-budgetary funds, we should make comprehensive and rapid use of extra-budgetary funds through the methods of "saving them through special accounts, managing them in a planned manner, examining and approving by financial departments, and being supervised by banks." We should regard the general inspection of tax and financial affairs as a regular and important task, and actually attend to this work in order to further enforce financial and economic discipline and promote the rapid improvement of party style and social conduct.

We should further strengthen ideological and political work, strive to successfully build the ranks of financial and tax cadres, and continually improve the political and professional competence of financial and tax cadres. In the course of straightening out party style, we should further strengthen the building of spiritual civilization, penetratingly conduct education on ideals, the future, discipline, professional morals, and policies in an effort to improve the ideological awareness of the large number of financial and tax cadres and their consciousness in implementing the party's principles and policies. We should strengthen the education and training of financial and tax cadres, attend to financial and tax scientific research, and accelerate the training of competent financial and tax cadres in order to suit the needs of the socialist modernization drive.

Fellow deputies, the tasks we face are very glorious and arduous. Under the leadership of the provincial CPC committee and the provincial people's government, we should mobilize and depend on the people of all nationalities throughout the province to work hard, overcome difficulties, pioneer the road of advance, and struggle for the successful implementation of the 1986 budget.

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CSO: 4006/948

GUANGXI HOLDS MEETING OF BANK BRANCH MANAGERS

HK210418 Nanning Guangxi Regional Service in Mandarin 1100 GMT 16 Apr 86

[Excerpts] The regional meeting of branch managers of the People's Bank of China in Guangxi, which concluded today, said that this year the branches will give priority to preferred projects when granting credit funds. The bank will adopt a new management method of exercising strict control over loans granted for fixed assets, while appropriately taking a relaxed attitude toward loans granted for liquid funds.

This new management method is being adopted in connection with the national conference of branch managers of the People's Bank of China. Since the region granted fixed assets loans last year for quite a large number of projects and this year's demand for new loans is rather great, the region's bank must therefore assess in terms of economic results the projects applying for loans and give priority to the preferred ones, in order to make optimum use of the limited funds. The funds must be used to support the regions' key projects and technological transformation of the region's enterprises. The funds must also be used to support economic projects and development of old revolutionary bases and minority-nationality, remote, mountainous, and poor areas.

On loans for liquid funds, the bank branches will implement the policy of rationally granting loans for use in some areas while strictly controlling loans for other areas. The bank will vigorously support and grant loans to projects that bring good economic results. This year's focus in granting liquid funds loans is on the development of energy resources, transport and raw materials; the production of marketable consumer goods for daily use; the production of export commodities; the procurement of commodities that can earn foreign exchange; invigoration of large and medium-sized enterprises; intensive lateral economic ties; and agricultural production.

The bank will not grant loans to those enterprises that have a poor concept of the market, engage in blind production, continue to make unmarketable goods, suffer losses due to poor management system, and do not make up for the losses caused by taking incorrect policies. If an enterprise diverts liquid fund loans to invest in fixed asets, or to other administrative expenses, the bank will immediately recall all loans granted to the enterprise.

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FINANCE AND BANKING

BRIEFS

REPORT ON FOREIGN EXCHANGE RESERVES--Beijing, 16 April, (ZHONGGUO TONGXUN SHE) --The People's Bank of China recently announced that at the end of 1985, China's foreign exchange reserves stood at $11,913,000,000, or $679 million less than the third quarter of 1985. As compared with the third quarter of last year, the amount of foreign exchange in the state treasury further dropped by $733 million to $2,644,000,000; but this was nearly $500 million more than in November. The foreign exchange balance of the Bank of China was $9,269,000,000, or slightly increased over the third quarter. At the same time, the People's Bank of China also announced that at the end of 1985, the state's gold reserves were 12.67 million ounces; the balance of foreign loans contracted by the state totaled $5,067,000,000. [Text] [Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1008 GMT 16 Apr 86] /9871

CHINA AGRICULTURAL BANK BONDS--Beijing, 9 April (XINHUA)--By the end of March, the Agricultural Bank of China had issued more than 746 million yuan in treasury bonds, fulfilling nearly half its issuing plan. The bank also had used the funds to extend special loans over 661 million yuan to support village and town enterprises. The bank began issuance of treasury bonds in November 1985; issuance is scheduled to end at the end of June this year. Total amount of issuance was planned at 1.5 billion yuan, which will mainly be used for developing village and town enterprises. [Summary] [Beijing XINHUA Domestic Service in Chinese 1223 GMT 9 Apr 86] /9871

CSO: 4006/955

MINERAL RESOURCES

GEOLOGISTS HOLD NATIONAL MEETING IN BEIJING

OW201632 Beijing XINHUA Domestic Service in Chinese 1207 GMT 19 Apr 86

[Excerpts] Beijing, 19 April (XINHUA)--Four important changes are taking place in China's geological work, it has been learned from the national meeting of directors of the geology and mineral resources bureaus being held in Beijing.

Zhu Xun, minister of geology and mineral resources, said these changes resulted from the conscientious efforts of departments of geology and mineral resources to implement the principle of "centering the geological work on locating minerals with a view to increasing the efficiency and social benefits of the minerals locating work."

The four important changes are:

The change from stressing quantity and scale to emphasizing results.

In recent years, the departments of geology and mineral resources paid attention to achieving results while seeking speed. Basically interested in raising the efficiency and economic and social benefits of geological work, they readjusted their tasks and arrangements. They gradually weeded out those projects which had not yielded any results for a long time. The utilization rate of surveyed items thus kept rising. During the Sixth 5-Year Plan period, of the 594 reports on large or medium-sized surveys on solid minerals, 318, or 53 percent, were made use of and the minerals were excavated. Among these, the utilization rate of prospected items increased from 35 percent in the past to around 76 percent at present.

Second, the change from being inwardly closed to being internally and externally open so as to keep in harmonious development with the economy and society. For quite a long time, the geological survey units just executed the state's mandatory plans and submitted their geological reports directly to the state, lacking lateral economic ties. After the 12th CPC National Congress, departments of geology and mineral resources followed the principle of taking the initiative to offer their services. They called at related departments, familiarized themselves with their needs, began to turn their geological data into economic information, and offered ideas and suggestions about developing the mineral industry and invigorating the economy.

Third, the change from single-function service into multi-function service. In recent years, departments of geology and mineral resources gradually expanded the scope and increased the number of recipients of their service, correcting their past practice of limiting their work to mineral geology and their single-function service to a small number of minerals.

Fourth, the change from physical expansion to quality improvement. In the past, whenever the work load increased, departments of geology and mineral resources blindly expanded their personnel strengths. Whenever a new work site was assigned or a new type of work added, new units were immediately set up, resulting in organizational inflation and unreasonable structures. In recent years, emphasis was placed on improving the structure and quality of service. The increase in the size of the contingent of geological workers was effectively curbed, down from an annual increase of 20,000 persons during the Fifth 5-Year Plan to less than 2,000 annually during the Sixth 5-Year Plan. The total number of staff and workers has been steadily around 410,000. The structure of the whole contingent somewhat improved, and the percentage of technical personnel increased. Departments of geology and mineral resources were more quickly moving from labor-intensive status to intelligence-intensive status.

Zhu Xun pointed out: The above-mentioned changes in the geological work served to promote the development of the geological work itself and prepared a comfortable condition for reforming the system of the geological work. However, these changes are still in their beginning stage and, during the Seventh 5-Year Plan, departments of geology and mineral resources must still more consciously promote these changes.

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CSO: 4006/943

GANSU HOLDS MEETING ON INDUSTRIAL PRODUCTION

HK210430 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 17 Apr 86

[Excerpts] This morning the provincial CPC Committee and government held a meeting of responsible persons of factories, enterprises, and mines in the Lanzhou area to exchange their experiences in industrial production.

At the meeting, responsible persons of the state-owned (Changfeng) machinery plant, the (Huaqing) electronic machinery plant, the Lanzhou (Changhong) welding rod plant, the Gansu chemical machinery plant, the Lanzhou aluminum plant, the Lanzhou steel plant, and the provincial no. 1 construction company briefed the participants on their work and experiences in properly developing industrial production over the past few months.

Provincial Vice Governor Hou Zongbin delivered a speech at the meeting. He fully affirmed the experiences of these units. He said that since the beginning of this year, all departments and areas in the province have strengthened their leadership over industrial production, resulting in a good trend of steady growth in industrial production. The province's industrial output value at the end of March was 2.76 billion yuan, an increase of 9.03 percent over the same period of last year, representing 22.58 percent of the year's target. Both the growth rate and the percentage of the year's target fulfilled are above the national average.

On how to properly develop industrial production in the next three quarters of the year, Hou Zongbin stressed that the second quarter is the golden season for developing industrial production as well as the essential period for fulfilling this year's plan for industrial production. He demanded that under the premise of improving economic results, and in particular raising the quality of products, the province should continue to maintain a rational growth rate, ensure the fulfillment of 48 percent of the year's target by the end of the first half of the year, and strive for even better results.

Li Ziqi, secretary of the provincial CPC Committee, attended the meeting and spoke. He demanded that all enterprises in the province vigorously develop lateral economic ties, perfect the production responsibility system, and speed up economic development in the province.

Jia Zhijie, deputy secretary of the provincial CPC Committee, and Xu Feiqing, vice chairman of the provincial People's Congress Standing Committee, also attended the meeting. Provincial Vice Governor Zhang Wule presided.

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CSO: 4006/964

INDUSTRY

BRIEFS

COOPERATION AGREEMENT SIGNED--The Ministry of Ordnance Industry and the Henan Provincial People's Government signed an economic cooperation agreement in Zhengzhou today. The two parties agreed to regard 11 projects including production of motorcycles, cameras, and bicycles, as the first group of projects for economic cooperation between the ministry and the province. Vice Minister Tang Zhongwen and Vice Governor Qin Kecai signed on behalf of the two parties. Minister Zou Jiahua and Governor He Zhukang spoke. Henan has a relatively full range of defense industry enterprises, which are strong in technology, equipment, and research contingent. These form an important force in economic construction. The aim of the cooperation between the province and the ministry is to take full advantage of Henan's strong points in the defense industry to develop civilian production, organize the transfer of defense industry technology to civilian industry, and build up a new system integrating the defense and civilian industries as soon as possible. Total output value of civilian goods in the province's defense industry enterprises during the Sixth 5-Year Plan was 170 million yuan. The total output value planned for this year is equivalent to the total for the past 5 years. This output value is planned to grow by 52 percent a year during the Seventh 5-Year Plan. [Text] [Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 22 Apr 86 HK]/12766

ORDNANCE INDUSTRY CIVILIAN GOODS--The Chinese Ministry of Ordnance Industry has established over 200 production lines producing items for civilian consumption in recent years. The kinds of civilian goods they produce have increased from 64 in 1980 to over 400 in 16 categories at present. Total output in civilian goods produced by the Ministry of Ordnance Industry in 1985 reached 2.2 billion yuan, up 225.7 percent from 1980. Camera lenses, bicycles, and other products are being exported to Western Europe, the United States, Southeast Asia, and Hong Kong. [Summary] [Beijing Domestic Service in Mandarin 1000 GMT 22 Apr 86 OW]/12766

ZHEJIANG INDUSTRIAL PRODUCTION--Hangzhou, 10 Apr (XINHUA)--Zhejiang Province maintained a stable increase in industrial production in the first quarter of 1986. Total industrial output value during this period was 10.3 billion yuan, 9 percent more than in the same period last year. Light industrial output value also increased 10.7 percent over the same period of last year. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0805 GMT 10 Apr 86 OW]/12766

CSO: 4006/964

SMALL-SCALE ENTERPRISES

ON NEED TO STRENGTHEN INDIVIDUAL ENTERPRISE MANAGEMENT

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 8 Feb 86 p 1

[Article: "The Ministry of Agriculture, Animal Husbandry and Fishery Issues a Notice Calling for Strengthened Management of Rural Individual Enterprises; the Notice Points Out That Some Departments Have Treated Rural Household Association Enterprises and Rural Cooperative Enterprises Managed through Individual Contracted Responsibility in the Same Manner As Individual Industry and Commerce"]

[Text] The Ministry of Agriculture, Animal Husbandry and Fishery recently issued a notice calling for strengthened management of rural individual enterprises.

The notice said that guidance by a series of state policies for "opening up" and "stimulation" has led to rapid development of rural individual enterprises. In some areas, the value of output from rural individual enterprises accounts for a substantial portion of the gross value of output of township and town enterprises and they have become an undeniable force in the rural economy. CPC Central Committee and State Council Resolution No 4 of 1984 stated clearly that individual enterprises are an integral part of township and town enterprises and that township and town enterprise bureaus at all levels should strengthen leadership and management over them.

The notice called for township and town enterprise bureaus at all levels to guide individual enterprises in development principles and management directions to improve their product quality and economic results, and it called for using voluntary participation as a basis for employing various forms of cooperation to promote integration and guide them gradually onto the road of common prosperity.

The notice pointed out that "some departments in certain areas have treated rural household association enterprises and enterprises managed through individual contracted responsibility in the same manner as individual industry and commerce. This violates the spirit of the CPC Central Committee notice and should be corrected conscientiously."

12539
CSO: 4006/844

SMALL-SCALE ENTERPRISES

CONCERNING TOWNSHIP, TOWN ENTERPRISE MANAGEMENT

Scope of Enterprise Management

Beijing JINGJIXUE ZHOUBAO in Chinese 2 Mar 86 p 3

[Article by Chang Yi [1603 5030] of the Hubei Province Township and Town Enterprise Bureau: " Discussion of the Scope of Township and Town Enterprise Management"]

[Text] Township and town enterprises have economic characteristics that are different from agriculture as well as from urban industry and other sectors, and problems in many areas are encountered during reforms. This article will discuss the scope of management of township and town enterprises from the perspective of industry management.

1. Enterprises at the township (and town), village, group, association, and household levels should be included within the scope of township and town enterprise management. Currently, enterprises managed at the township and village levels have been confirmed as falling within the scope of township and town enterprise management and there are no differences of opinion in any areas. There is quite a bit of debate, however, about whether or not enterprises managed at the group, household association or household levels should be included within the scope of township and town enterprise management. The essence of the debate concerns the issue of viewpoints related to the structure of ownership systems. The structure of ownership systems is related to the economic and social status of each type of ownership system and to the proportion they account for and the relationship between them. The structure of ownership systems in a society is determined by its forces of production. Adaptation of the structure of ownership systems to the need for development of social production is essential for promotion of the development and for fostering the advantages of the socialist system. In rural areas, we find state ownership as in farms, forests, fishery operations and livestock farms, and we also find collective ownership, an economic component that accounts for the largest proportion of the rural economy. The various individual economic associations and household association enterprises that have been set up over the past 2 years also fall within the scope of collective ownership. Nevertheless, many enterprises managed by household associations were set up through stock shares, so they are a new form of joint-stock cooperative economy. Household industries also fall within the scope of the individual economy and supplement the socialist economy.

A vertical view of the five levels of township and town enterprises indicates that all are secondary and tertiary industries that are detached from land management, so it is quite natural for the economic system of township and town enterprises to have formed in the rural economy. This means that they have close economic, technical circulation and other relationships and that they involve mutual complementarity and mutual formation. For this reason, all five levels of township and town enterprises should be included within the scope of township and town enterprise management and should not be considered separate from them.

2. All of the activities under township and town enterprise ownership should fall within the scope of township and town enterprise management. These enterprises are engaged in many types of activities and if examined on the basis of their industry, the result would be to split the integral whole that is township and town enterprises. This is especially true given the fact that most of the enterprises are involved primarily in a single activity with some economic diversification. If managed according to their industry, many enterprises would have to be divided among several departments for management, a situation that already has appeared. First, with several departments involved in management, there are too many "mothers-in-law" and it is hard for the enterprises to deal with them. Second, the various departments have different systems of regulations, and a shift of management methods into an enterprise may cause it many problems or even some contradictions that absolutely should not appear and result in losses to enterprise management and production. Of course, management by industry is an overall trend, but we must be clear that management by industry requires leadership by the relevant departments in the areas of industrial development plans, product quality standards and technical appraisals, production technology demands, safe production, environmental protection and so on. It does not involve "dividing up" township and town enterprises "according to attributes." Even more important is that their ownership rights over their property and their decisionmaking rights concerning production management, product sales and profit distribution must not be violated. Moreover, we cannot change the jurisdictional relationships of the enterprises and we should prevent "egalitarianism and indiscriminate transfer of resources" in peasant-run enterprises. We can use the machine industry as an example. Besides the machine industry sector itself, don't the metallurgical, mining, light industry, textiles, chemical, electronics, communications and transportation industries, and even the national defense industries, have their own machine industry? Wouldn't the situation be the same if we implement management by industry and place the machinery plants of every department under ownership by machine industry departments? This would not be possible in reality. It would lead to chaos and affect the development of production as a whole. This is especially true following intensification of reforms in urban and rural economic systems, which have thrown open the doors of the cities and the strongholds and strengthened horizontal economic and technical linkages between town and countrywide, between regions, between industries, and between different ownership systems. This sort of mutually integrated, mutually intersecting and mutually permeating economic integration makes it even less possible for management according to the attributes of a sector. Those now calling for "management by industry" often wish to take over enterprises in other sectors,

or in the opposite case, they do not make arrangements for production of products that they should arrange. Those who should supply raw materials may fail to supply them, or those products that deserve high evaluations are not permitted to participate. It has even been the case that barriers between production, supply and sales were set up for various reasons. This shows an obvious lack of a comprehensive viewpoint and is a manifestation of a lack of a true understanding of the significance of China's total population of 1 billion and its 800 million peasants. If we do not improve peasant productivity, incomes cannot rise and they will not be able to overcome their poverty, so how will it be possible for China as a whole to become relatively well-off by the end of this century? For this reason, township and town enterprise management departments are duty-bound to manage the various activities in township and town enterprises, and the relevant departments should actively coordinate them, cooperate in taking action and provide active support to promote the development of township and town enterprises. This actually means that they should promote development in their own industry. Doing so would be beneficial for rational distribution and motivation of the initiative of all areas to coordinate development.

3. Collective enterprises below the county level and individual enterprises should be included within the scope of township and town enterprise management. This of course includes past and future enterprises operated collectively or individually by the peasants. Vigorous development of township and town enterprises has restored life to some old market towns and they are on the path to prosperity. In addition, a large group of new market towns is springing up. Township and town enterprises are engaged mainly in secondary and tertiary industries, and they are to a certain extent the foundation on which market towns are built. Relative concentration of township and town enterprises in market towns often conserves capital construction investments in energy, communications, storage, water supply, drainage and other things. If we state that county seats are an integration of urban and rural areas, then the market towns below the county are bridges to the vast countryside. Factories and stores set up by peasant collectives or individuals in market towns have a vital relationship with rural areas, and the collective economy in actuality is an important component of the rural economy as a whole. This makes management of them by township and town enterprise management departments essential. If every industry and department were involved in management, the overload would obstruct the development of the rural economy and it would have negative effects on urban and rural linkages and prosperous development of the economy as a whole.

How To Strengthen Enterprise Management

Beijing JINGJIXUE ZHOUBAO in Chinese 2 Mar 86 p 3

[Editorial: "How To Strengthen Township and Town Enterprise Management"]

[Text] Township and town enterprises now are an important pillar of China's rural economy, and they are a major component of the entire national economy. The CPC Central Committee pointed out in its opinions concerning the Seventh 5-Year Plan that "development of township and town enterprises is essential for invigoration of China's rural economy." It also noted clearly that "the guiding principle for township and town enterprise development should be: active support, rational planning, correct guidance and stronger management." This is a correct principle proposed by the CPC Central Committee in accordance with the overall strategic tasks of the Seventh 5-Year Plan and based on realities in the development of township and town enterprises that will encourage their healthy growth. There are considerable differences of understanding, however, concerning the duties and authority of the departments that would be involved in township and town enterprises as defined by the CPC Central Committee means that all township and town enterprises should be managed by township and town enterprise administrative departments. Other comrades feel that the enterprises include many activities and industries and that township and town enterprise administrative departments actually will become "little State Councils" if the enterprises are placed under their administration and they would not be able to manage them. For this reason, they advocate management according to industry, with coal managed by coal industry departments and construction materials managed by construction materials departments, for example. This would lead to the closing of township and town enterprise administrative departments. A third opinion is that the enterprises already have become rather large scale industries in areas like construction materials and coal, so they should be managed by industrial departments. Other industries that are rather few in number and scattered like small farm tools, farm and sideline product processing and such can be managed by township and town enterprise administrative departments. A fourth opinion states that they should be managed jointly by township and town enterprise administrative departments and the relevant departments. Placing the enterprises under the jurisdiction of township and town enterprise administrative departments would guarantee that their property ownership rights and decisionmaking rights in the management of production, product sales and profit distribution are not violated. Industrial development plans, product quality standards, technical appraisals, production technology requirements, safe production, environmental protection and other areas would receive unified arrangements from the relevant departments. There may be other opinions in addition to the four described above. The differences in everyone's understanding means that disputes among several departments concerning who should be the actual manager of each industry are frequent. There also are substantial differences in the jurisdictional arrangements of township and town enterprise administrative departments in different areas. Some are managed by agricultural departments, others are managed by economic commissions and others are managed by planning commissions. The result is that actual work is presented with many difficulties. We feel that everyone should employ discussions to unify their understanding and promote stronger management of these enterprises and their healthy development. JINGJIXUE ZHOUBAO is publishing a group of articles today in accordance with the spirit of "letting a hundred voices contend" to open up discussion of this issue. We welcome everyone to offer their opinions on this issue, which we will select and publish.

12539
CSO: 4006/844

SMALL-SCALE ENTERPRISES

NEI MONGGOL HOLDS TOWNSHIP ENTERPRISE WORK CONFERENCE

SK120158 Hohhot Nei Monggol Regional Service in Mandarin 2300 GMT 11 Apr 86

[Text] On 10 March, at a regional township enterprise work conference held in Chifeng City, Bai Junqing, vice chairman of the region, pointed out in his speech that the principle for developing township enterprises will be based on and serve agriculture and animal husbandry, and will develop together with agriculture and animal husbandry in a coordinative manner.

Bai Junqing said: The issue of no prosperity without engaging in industry and the issue of no economic stability without agricultural development are mutually conditioned and promotive. In our region the role of large-scale agriculture as the foundation in the structure of the national economy is more conspicuous, and in order to consolidate this foundation, we should rely on the development of township enterprises.

Speaking on the development of enterprises run by households individually or jointly, and the promotion of lateral ties, Comrade Bai Junqing said: Judged from the actual conditions of our region, township enterprises should be run chiefly by households, either individually or jointly, for a considerable time to come. However, it is impossible for any enterprise to take on the entire process of commodity production, and therefore we should greatly expand lateral cooperation. This is the only way for township enterprise development. With regard to our understanding, we should overcome outdated ideas, refrain from considering cooperation a change in ownership, and seek a mergence of the means of production. The forms of cooperation may vary, but they should embody the principle of voluntary participation and mutual benefit.

The conference was organized by the regional Agriculture Committee with the approval of the regional People's Government. In addition to representatives from township enterprises, the participants included representatives from large enterprises, institutions of higher learning, the Institute of Social Sciences, and the scientific and technological commissions.

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CSO: 4006/943

SMALL-SCALE ENTERPRISES

BRIEFS

ANHUI RURAL ENTERPRISES--Anhui made headway in developing village and town enterprises last year. Output value of the enterprises in Dangtu, Huaiyuan, Tianchang, Huaining, and Tongcheng counties and the suburban areas of Hefei City topped 200 million yuan, a record figure, and that in the other 48 counties topped 100 million yuan. [Summary] [Hebei ANHUI RIBAO in Chinese 28 Jan 86 p 1 OW] /7051

HEBEI TOWNSHIP ENTERPRISES--During the Sixth 5-Year Plan period, the total income of township enterprises of Hebei Province, in terms of comparable standards, increased by an average of 25 percent a year. Last year the output value of township enterprises of the province totaled 18.2 million yuan, exceeding for the first time its percentage of 10.5 percent in the total agricultural output value. During the Sixth 5-Year Plan period, these enterprises paid 2.3 million yuan of taxes to the state, and, in some counties, more than 50 percent of their revenues came from township enterprises. At present 5 million peasants are working at township enterprises. [Excerpts] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 30 Mar 86 SK] /7051

CSO: 4006/943

SEVENTH FIVE-YEAR PLAN STEPS UP CONTAINER WHARF CONSTRUCTION

HK220107 Beijing ZHONGGUO XINWEN SHE in Chinese 0821 GMT 18 Apr 86

[Text] Beijing, 18 Apr (ZHONGGUO XINWEN SHE)--On the basis of the existing 8 container wharves built along the coastal ports, China plans in its Seventh 5-Year Plan to set up around 20 new container wharves and multipurpose wharves so that the total handling capacity of container berths will reach over 10 million metric tons, or 1.4 million standardized containers. This was disclosed by an official of the Communications Ministry today.

China's first container wharf was built in Tianjin around 1980. Over the past 5 years, China has built 7 wharves specially for containers in the harbors of Tianjin, Shanghai, and Huangpu and then reconstructed a number of semi-container wharves (multipurpose wharves) in Xiamen, Dalian, and Qingdao. These wharves can load and unload 700,000 standardized containers, or 7 million metric tons of goods.

In order to meet the needs of transportation for foreign trade, China plans in its Seventh 5-Year Plan to build around 20 container wharves and multipurpose wharves respectively in Dalian's Dayaowan new harbor area, Qinhuangdao's B and C harbor areas, Qingdao's Qianwan new harbor area, Lianyungang's Miaoling new harbor area, Shanghai's Baoshan and Guangang operation areas, Ningbo's Beilun harbor, Nantong's Langshan harbor area, Nanjing's Xinshengxu harbor area, Huangpu harbor, Hainan harbor, and Zhangjia harbor.

While increasing the number of wharves, the official said, China will also strengthen management over harbor container transportation and reconstruct and expand 30 container transfer stations so that a highway network suited to the transport capacity of harbor containers will take shape.

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CSO: 4006/964

DOMESTIC TRADE

RETAIL PRICES EXPECTED TO RISE 8 PERCENT IN 1ST QUARTER

HK190916 Beijing ZHONGGUO XINWEN SHE in Chinese 0839 GMT 17 Apr 86

[Text] Beijing, 17 April (ZHONGGUO XINWEN SHE)--Prices continued to rise in China's markets. Compared with the same periods of last year, the general level of retail prices rose by 8.5 percent in January, 7.5 percent in February, and is expected to rise by 8 percent in the first quarter.

This was disclosed by Zhang Zhongji, spokesman for the State Statistical Bureau, to Chinese and foreign correspondents today. But he believes the upward trend of prices in China has slowed down.

Zhang Zhongji said that since the beginning of this year, market prices in China have been relatively stable, and there has basically been no abnormal rush for goods because of consumer worry over price rises. People have purchased commodities more selectively. The total retail sales volume of social commodities for the first quarter of this year was 117.65 billion yuan, an increase of 9.6 percent over the same period of last year. The retail sale volume of individually-operated commerce was 18.44 billion yuan, an increase of 25.4 percent over the same period of last year.

He said that the prices of nonstaple foods, such as pork, eggs, and vegetables, in the first quarter of this year remained at the same level as in December last year, with a drop in the prices of one or two nonstaple foods in cities. But the grain price rose in fair trade markets.

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CSO: 4006/943

BRIEFS

SICHUAN ESTABLISHES ECONOMIC TIES--Last year, Sichuan Province concluded some 2,500 items of cooperation with other places outside the province and these items involved some 1.8 billion yuan--being capital and the total amount of materials. According to the initial estimate, these items of cooperation can increase output value by 2 billion yuan and taxes by 400 million yuan. In developing lateral economic ties, the province has strengthened cooperation with places along the coasts in three aspects: 1) The province has exchanged its sophisticated technology of the national defense science, technology, and industry and its achievements in scientific research for the advanced technology and management of light industry and textile industry in provinces and cities along the coasts; 2) the province and coastal provinces and cities have jointly exploited resources and it has exchanged its abundant mineral resources for their financial and material resources; 3) the province and coastal provinces and cities have cooperated with each other in production and operation. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 6 Apr 86 HK] /7051

CSO: 4006/943

FOREIGN TRADE AND INVESTMENT

SHENZHEN TECHNOLOGY TRADE FAIR CONCLUDES

OW212221 Beijing XINHUA Domestic Service in Chinese 1320 GMT 20 Apr 86

[Article by reporters Yu Fengyuan and Chen Zhiqiang]

[Excerpts] Shenzhen, 20 Apr (XINHUA)--China's Shenzhen technology trade fair lasted 10 days and concluded successfully today. This large technology trade fair has disseminated to the whole world important news: Chinese technology is now marching toward the world market. The fair, in itself, is also a good start for the work in this direction.

Huang Hua, vice chairman of the NPC Standing Committee; Xu Jiatun, director of the Hong Kong branch of the Xinhua News Agency; Liang Xiang, secretary of the Shenzhen City CPC Committee; as well as responsible persons for the Chinese government departments concerned and officials of some foreign embassies and consulates in China made special trips to visit this trade fair and to extend their congratulations.

This trade fair drew the great interest and attention of industrial and business circles, the science and technology community, as well as banking and trading circles of many countries in the world and the Hong Kong and Macao regions. At the trade fair, over 2,000 businessmen from more than 20 countries and regions tried to get acquainted with one another, exchanged information, and enthusiastically sought ideal partners to carry out technological and production cooperation. During the trade fair, they showed extensive interest in the technologies and products on display and conducted substantive discussions on several hundred projects. Contracts, agreements, or letters of intent were signed on several dozen projects, involving a total of some 13 million yuan. Such business discussions will be continued even after the close of the trade fair.

At a press conference held today for both Chinese and foreign reporters, a responsible person for the trade fair said that this technological trade fair will have a positive far-reaching effect on promoting the common economic development of China and other countries and regions in the world, on expanding their trade ties, and on furthering the friendly relations and economic and technological cooperation between them.

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CSO: 4006/968

POPULATION

SHANGHAI SURVEY SHOWS AGED STILL IMPORTANT IN FAMILY

OW170342 Beijing XINHUA in English 0256 GMT 17 Apr 86

[Text] Shanghai, April 17 (XINHUA)--One of China's oldest traditions, respect for the aged, is still important in the large city of Shanghai, according to a recently conducted survey.

City sociologists have found that nearly half of the aged still play decisive roles in Shanghai families, and that families with several generations sharing one roof are still popular.

The survey, involving 613 Shanghai families with one member over age 60, was conducted by the Sociology Department of Shanghai University earlier this year. Shanghai has a population of 12 million.

Statistics show that 47 percent of the old are household decision makers, sharing their opinions and making the final decision on every family affair, no matter how important.

About 57 percent of the older women are heads of their families. "These facts indicate that the old are the most revered members of the families," said associate Professor Yuan Huili, one of the directors of the survey.

About 9 percent of the older men are only concerned with important events, such as a child's marriage or large expenditures, while the figure for women is less than 1 percent.

"This also accords to the tradition that the eldest woman is responsible for the day-to-day management of the family," Yuan said.

The survey also shows that men usually have a bigger say in making decisions on the families' "external affairs." The women are concerned mainly with affairs exclusive to the families, Yuan added.

Nearly 80 percent of the old live with their children, grandchildren or great-grandchildren. The old need the younger generation's care. And, as always, the younger generation is glad to have their parents look after the grandchildren. According to the traditional moral principle, several generations sharing one roof is a sign of family happiness, Yuan said.

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CSO: 4020/289

POPULATION

SHAANXI HOLDS PLANNED PARENTHOOD WORK CONFERENCE

HK170314 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 15 Apr 86

[Text] The provincial planned parenthood work conference, which was held by the provincial committee and government, ended yesterday. The conference formulated a plan for population control in the province during the seventh 5-year plan, and commended a number of advanced collectives and individuals.

The conference pointed out that from this year, the province will be in a peak birth period. During the seventh 5-year plan, about 760,000 young people will get married each year. At least 380,000 births will then occur yearly. Therefore, it is necessary to resolutely implement planned parenthood policies, strictly control excessive population growth, and continuously grasp the work firmly and properly.

The conference stressed that in carrying out planned parenthood work, it is necessary that in carrying out planned parenthood work, it is necessary to give much publicity to the relevant policies. On the one hand, we must avoid arbitrarily giving orders; on the other hand, we must avoid laissez faire in planned parenthood work. Under the premise of not exceeding the population growth limit set by the higher authorities, all localities must make arrangements conditionally, in a planned way, and step by step, for those who are really in difficulties to have a second child. Second or more births not covered in family plan should be prohibited.

The conference awarded medals and credit certificates to 407 advanced collectives and individuals including Miaoxian County, which was elected as the national red-flag unit in planned parenthood work and won the national gold prize. It also commended and awarded 198 advanced collectives and individuals in the province, including Hanzhong and Weinan prefectures.

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CSO: 4006/943

INFORMATION OFFICE HEAD VIEWS TAIWAN-U.S. TRADE

Sees Better, Beneficial Ties

OW220441 Taipei CNA in English 0254 GMT 22 Apr 86

[Text] New York, 21 April (CNA)--Chang King-Yuh, director general of the Government Information Office of the Republic of China [ROC], told a group of American business executives and journalists that considering the pace and magnitude of the ROC's definitive policies of economic liberalization and internationalization, the ROC and the United States are moving toward better and more mutually beneficial economic relations.

In a luncheon held Monday by the Council of Religion and International Affairs in Chang's honor, he stressed that "the improved relations between our two countries serve perfectly well into U.S. global strategy--seeking for a stable and prosperous world."

Speaking on "the ROC's economic development and U.S.-ROC economic relations," the ROC Government spokesman noted that the ROC's GNP now ranks 30th in the world, and the dollar volume of its trade, 16th.

On ROC-U.S. trade imbalance, Chang said that "the United States suffered an overall foreign trade deficit of U.S.$144.6 billion in 1985, reflecting international trade problems of the U.S. that are global in nature, and not just with the ROC." He added, "of the total U.S. trade deficit, the ROC took only 7 percent. Actually, if any of Taiwan's exports to the American market were to be reduced or terminated, they would quickly be replaced by similar products from other developing countries. Our market share amply demonstrates that we can and do provide to the Americans, good quality commodities at reasonable and affordable prices. The ROC supplies goods to the U.S. that are no longer economically produced in the U.S."

The trade gap between the ROC and the U.S. is very large on paper, but the paper figures cannot be seen as the only criteria for consideration, said Chang. He added, "for instance, when allocated among the 19 million people on Taiwan, per capita 1985 purchases of American commodities amounted to U.S.$263. In contrast, the U.S.$15 billion in ROC goods purchased by the U.S. in 1985 from Taiwan, amounts to only U.S.$65 for each American. Obviously, ROC per capita imports from the U.S. are four times the American per capita imports from the ROC.

"In percentage terms, the average citizen in the ROC spent 20 times more of his per capita income to buy American goods than his American counterparts in purchasing ROC goods in 1985." By comparison, he said, Japan's per capita purchases of American products were about U.S.$216 in 1985--about 17 percent less than ROC figure. He further pointed out that the ROC, since 1977, has been actively addressing the trade imbalance in various ways, such as:

--We have taken progressive, positive measures to remove both tariff and non-tariff barriers, and to generally lower tariff rates.

--We have sent 11 "Buy American Missions" to the U.S. since 1978. The missions have purchased a total of U.S.$7.7 billion worth of agricultural and consumer goods. The 12th mission will be sent this coming August.

--In 1985, we revised patent, trademark, and copyright laws to strengthen our efforts to protect intellectual property rights.

--The ROC has itself become involved in the domestic market promotion of American-made products.

The luncheon was presided over by Robert J. Myers, president of the Council on Relation and International Affairs.

Assesses Trade Imbalance

OW271131 Taipei International Service in English 0200 GMT 26 Apr 86

[Text] In a speech analyzing the Republic of China's [ROC's] trade with the United States, the ROC government spokesman, Chang King-yuh, expressed the view that the current U.S. trade deficits with the ROC are not without a brighter sight. Doctor Chang pointed out the fact that Taiwan products are popular with American consumers, and (?buyers reflect) a beneficial division of labor with Taiwan producing items of high quality at reasonable prices. And the same products simply cannot be produced in the U.S. economically because of its much more advanced industrial structure. This indicates the American consumer would be the loser should the United States start banning the imports of labor-intensive goods because the supply of products from domestic factories would inevitably sell at much higher prices.

Even so, the Government of Free China [words indistinct] the protectionist sentiment in the United States and has been going all out to redress the situation. As a matter of fact, the ROC is the first country to take steps to achieve a more balanced trade with the United States. Since 1977, it has been actively addressing the trade imbalance problem in various ways.

First, the ROC has taken progressive positive measures to remove both tariff and nontariff barriers. Recently, the ROC reduced tariff rates for over 1,000 of its most sensitive import items. The effective tariff rate for all goods imported by the ROC has been reduced to only 7.64 percent and will be further lowered to 5 percent by 1990.

Second, the ROC has sent 11 buy-American missions to the United States since 1978. These misssions have made on-the-spot purchases of various American products with 7.7 billion U.S. dollars. The latest mission will leave for the United States in August. When the ROC started sending these missions in 1978, Ronald Reagan said in a speech in Taipei that here we have evidence of each nation helping the other. First American aid in order to improve the lot of your people and now you are making a special effort to buy American products at a time when we have a serious trade deficit.

Third, in 1985 the ROC government revised the patent, trademark and copyright laws to strengthen the protection for intellectual property rights. According to U.S. customs reports, among counterfiet goods seized in 1982, 56.1 percent were from Taiwan. In 1983 the figure decreased to 20.2 percent, and in 1984 the Taiwan share dropped to 2.2 percent.

Fourth, the ROC has itself become involved in domestic market promotion of American goods. It has organized and sponsored several trade shows in Taiwan to stimulate ROC manufacturers to purchase from U.S. suppliers. The most recent one was held last month. And Taipei has done its best, through trade and investment seminars, to increase the awareness and understanding of American friends of the available benefits from trading in the ROC. Four such seminars have been held in the past few years.

Finally, foreign investment in Taiwan continues to receive encouragement. In addition to generous tax breaks, the revised investment law strongly facilitates foreign investment in the manufacture of consumer products for sale in the Taiwan market. Considering the pace and magnitude of the ROC's definitive policy of economic liberalization and internationalization, one can see with certainty that the ROC and United States are moving toward better and more mutually beneficial economic relations.

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CSO: 4020/297

OFFICIALS PREPARING FOR TARIFF TALKS WITH U.S.

OW261824 Taipei CNA in English 1433 GMT 26 Apr 86

[Text] Taipei, 26 April (CNA)--Government agencies concerned held a meeting at the Coordination Council for North American Affairs in Taipei Saturday to discuss the upcoming meeting with the United States on preferential tariff treatments.

Participants in the meeting pledged that they will do their best to protect the nations' rights and interest in talks with their American counterparts.

Those who were present at the meeting included representatives from the Ministries of the Interior, Finance, Foreign Affairs, the Council of Agirculture, the Board of Foreign Trade and the Taiwan Tabacco and Wine Monopoly Bureau.

The ROC [Republic of China]-USA talks on preferential tariff treatments will be held in Taipei 29-30 April. On the morning of 29 April, the two sides will discuss U.S. requests to lower the nation's import tariffs on American cigarettes and alcoholic beverages, and to ease restrictions on the advertising of these products. In the afternoon, American negotiators will call at the Ministries of Foreign and Economic Affairs.

On 30 April, discussion will be centered on the nation's continued enjoyment of U.S. GSP [Generalized System of Preferences] benefits. During the meeting, U.S. negotiators are also expected to bring up such proposals as lowering import tariffs on American apples, chocolate and oranges, easting import control over some American industrial and agricultural products, and opening monetary and service industries here to American businessmen.

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CSO: 4020/297

BRIEFS

MISSION TO SEEK $300 MILLION--Taipei, 26 April (CNA)--Economics Minister Lee Ta-hai said Saturday that the 12th "Buy-American Mission" will leave Taipei in August for the procurement of some U.S.$300 million worth of industrial and agricultural products in the United States. While the mission is in the U.S., it will cooperate with state governments in sponsoring a series of seminars in joint investment to enhance the economic and trade relations between the two nations, Lee said. Lee made the statement after Vincent Siew, director general of the Board of Foreign Trade, made a report on the formation of the mission at an executive meeting of the Economics Ministry. At the meeting, concerned officials also discussed a proposal by Vice Economics Minister Wang Chien-hsuan to hold investment seminars in the United States. According to a preliminary plan, the mission will buy some U.S.$200 million worth of grains and U.S.$100 million worth of industrial products in the U.S. Lee said he believes the holding of investment seminars in the U.S. in cooperation with state governments will be helpful to enhancing cooperation between businessmen of the two nations. [Text] [Taipei CNA in English 1452 GMT 26 Apr 86 OW] /12913

CSO: 4020/297

CITIC OFFICIAL ON HONG KONG INVESTMENTS

HK101350 Beijing XINHUA Hong Kong Service in Chinese 0333 GMT 10 Apr 86

[Report: "LIAOWANG Overseas Edition No 15 to Publish views of a Responsible Person of the China International Trust and Investment Corporation (Hong Kong) Ltd on Participation in Hong Kong's Investment Activities"]

[Text] Hong Kong, 10 Apr (XINHUA)--The forthcoming LIAOWANG Overseas Edition No 15 carries a reporter's interview with a responsible person of the China International Trust and Investment Corporation (Hong Kong) Ltd. The responsible person stressed economic results in the company's participation in Hong Kong's investment activities. The following is the full text of the interview:

The fact that the China International Trust and Investment Corporation (CITIC) bought most of the Ka Wah Bank shares and its participation by investing and merging funds in the second cross-harbor tunnel project have attracted much attention recently. The responsible person of CITIC (Hong Kong) Ltd said that these investment activities and the HK$300 million of bonds issued in Hong Kong last year are "the three major things done by CITIC in Hong Kong."

The responsible person of CITIC (Hong Kong) Ltd told this reporter: While developing its business in Hong Kong, CITIC has taken note of economic results and has also considered Hong Kong's social needs. If our investment cannot bring about better economic results, we will fail to contribute to Hong Kong's economic prosperity and lose the confidence of the Hong Kong people. CITIC's principle is that it will not put profit above everything else nor will it do anything that does not produce profit. CITIC always conducts meticulous studies before making investments and decides whether to participate in a project according to its investment principles.

I.

When this reporter asked about the story of CITIC buying up Ka Wah Bank shares, the responsible person replied: With the approval of the Bank of China, CITIC may carry out banking business. Following the establishment of a banking department, a bank was needed abroad to develop foreign exchange business. It so happened that the Ka Wah Bank encountered difficulties and had to undergo recapitalization. CITIC, on the one hand, needed a bank abroad, and on the other hand, by putting capital into Ka Wah Bank, it could help the bank tide over difficulties which would be advantageous to Hong Kong's financial stability. Under such fair and reasonable prerequisites, CITIC decided to use HK$350 million to buy up 95 percent of the Ka Wah Bank shares.

The Hong Kong Government also used its foreign exchange reserves to ensure the recapitalization of the Ka Wah Bank and to support CITIC in buying up most of the Ka Wah Bank shares. The responsible person of CITIC believed that the Hong Kong Government had made great efforts in the matter.

Regarding the plan after buying the Ka Wah Bank, the responsible person of CITIC said that the Ka Wah Bank, with its headquarters in Hong Kong, has 26 branches in Hong Kong and 2 branches in the United States. It also has businesses in Southeast Asia. Therefore, it is a bank of considerable size. After CITIC has become principal shareholder in Ka Wah Bank, the bank will continue its operation as an independent enterprise and will maintain and develop its existing business. However, CITIC will exercise leadership over the bank's operational principles. The responsible person of CITIC said: "CITIC intends to turn Ka Wah Bank into a bank that suits the needs of the capitalist financial world and that develops business completely according to the operational means of the international financial organizations. CITIC will not transfer large numbers of personnel from the mainland, but will rely more on local qualified people. Naturally, it also intends to train, through the Ka Wah Bank, a number of specialized personnel for the mainland who can master modern banking and financial techniques."

II.

The responsible person said that CITIC made repeated studies before participating in the development plan for the cross-harbor tunnel in Hong Kong's eastern district and particularly took into account the question of investment risks. CITIC has decided to join the New Hong Kong Cross-Harbor Tunnel Corporation composed of Kumagai Gumi (Japanese-owned), Lilley Construction Ltd (British-owned), and Paul Y. Construction Company Ltd (Chinese-owned), which includes both making investment and merging funds. The second cross-harbor tunnel is less conveniently located than the first one. As far as the entire project is concerned, the cross-harbor tunnel has a better chance of making a profit than the Mass Transit, while the latter has the advantage of erecting buildings on the surface. CITIC will make investment in all three respects. The cross-harbor tunnel in the eastern district is one of Hong Kong's important and long-term urban construction projects which are conducive to maintaining Hong Kong's future prosperity. On the premise of investment returns, CITIC will support this project within its power.

III.

CITIC (Hong Kong) Ltd, with 30 staff members, is the first branch CITIC has set up abroad. The recapitalization of the Ka Wah Bank was carried out by CITIC (Hong Kong) Ltd in cooperation with headquarters. Regarding the second cross-harbor tunnel project, headquarters has given full rights to its branch in Hong Kong. CITIC (Hong Kong) Ltd is in charge of investment activities in Hong Kong and the four special economic zones, mainly manufacturing and small- and medium-sized investment projects in the electronics industry. Emphasis in its next step will be put on medium- and long-term investment. Large and medium-sized investment projects will be carried out in cooperation with headquarters. Moreover, CITIC (Hong Kong) Ltd also offers consultative services, mainly conducting feasibility studies and market investigations for businessmen who intend to make investments in China.

Lastly, the responsible person told this reporter: While participating in Hong Kong's investment activities, we have never thought of doing too much. CITIC is willing to cooperate with Hong Kong in various fields and to do its part to maintain Hong Kong's prosperity and stability.

/9871
CSO: 4006/951

BANK OF CHINA BEGINS LARGE EXPANSION PROGRAM IN HONG KONG

HK270634 Hong Kong SOUTH CHINA MORNING POST (Sunday Morning supplement) in English 27 Apr 86 p 1

[Text] The Bank of China and its 12 sister banks are undertaking a massive expansion which could involve the opening of up to 150 new branches in Hong Kong.

Property circles are buzzing with reports that the group is seeking prime commercial sites all over the territory. The 13 China-controlled banks currently have a network of about 250 branches.

Bankers say that if the current expansion programme goes ahead without interruption the group's network within a year or two could be among the largest in Hong Kong.

The Hong Kong and Shanghai Banking Corporation now has around 400 branches, by far the biggest single grouping among more than 1,000 branches in the territory.

Hong Kong currently has 1459 licensed banks, roughly double the number 10 years ago when the Government was imposing a moratorium on the issue of licences to foreign banks.

The Bank of China's expansion comes at a time when it is already committed to expenditure of $1.2 billion on its new headquarters in Central.

The 70-storey glass and concrete building, standing 1,031 ft high, is said to be the tallest building under construction anywhere in the world. It is due to be completed late in 1988.

The next tallest building currently under construction is the Overseas Union Bank headquarters in Singapore which will rise to 919 ft. It is due for completion this year.

Up to two-thirds of the Bank of China's 485,000 sq ft will be rented out to other companies, thereby providing valuable rental income for the bank. It has already been estimated that the space will bring up to $22 a sq ft.

The new building, however, will not remove the need for other premises for the group in the commercial and industrial areas of the territory.

A Bank of China official recently was reported to have said that "even before 1997" the group expects to claim a bigger share of local banking business. An enlarged branch network is an integral part of this strategy.

Bank of China officials recently have referred to the importance of industrial development and trade with China as key components of the Hong Kong economy. Their policies include more extensive penetration of the geographical areas of Hong Kong where industry and import-export businesses are based.

Bank officials are believed to be seeking customers among factories which in recent years have held back on replacing plant and equipment during the uncertain political period surrounding the signing of the Sino-British agreement on Hong Kong's future.

Property sources say the Bank of China group has expressed keen interest in acquiring prime sites in most areas of Hong Kong. "They are going after quality locations," said one real estate agent. Image is very important to them now. They are paying far more attention to modern marketing techniques than ever before." And to staff its new branches the group is now training more university graduates as bankers than before.

Some estimates put the number of graduates joining the Bank of China and its sister banks as greater than in any other bank in Hong Kong.

The Bank of China maintains a well-equipped training and development centre at Pokfulam and senior university staff have been recruited to assist in the training of the managers of the future.

Bank officials in recent years have made no secret of the fact that their training programmes must be expanded to keep pace with the banks' growth. The training and development centre has a full time staff of nearly 30 and its own fully-equipped computer installation.

Of the 13 institutions in the Bank of China group, four are incorporated in Hong Kong and nine in China.

The China-registered units include the Bank of China itself, Bank of Communications, China and South Sea Bank, China State Bank, Kincheng Banking Corp, Kwangtung Provincial Bank, National Commercial Bank, Sin Hua Trust Savings and Commercial Bank, and Yien Yieh Commercial Bank.

The four incorporated in Hong Kong are Chi Yu Banking Corp, Hua Chiao Bank, Nanyang Commercial Bank and Po Sang Bank.

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CSO: 4020/298

PRC VIEWS STEADY DEVELOPMENT OF HONG KONG ECONOMY

HK210943 Beijing ZHONGGUO XINWEN SHE in Chinese 1551 GMT 14 Apr 86

[Text] Hong Kong, 14 April (ZHONGGUO XINWEN SHE)--Hong Kong's economy developed smoothly in the first quarter of this year.

Various signs show that Hong Kong's real estate and stock market were developing especially well in this quarter and large-scale construction projects were started one after another. However, export trade was still weak, and there was a decrease, rather than an increase, in entrepot trade. On the question of whether the growth rate of 4.5 percent expected by the financial secretary can be reached in Hong Kong's economy this year, export trade will play a decisive role. What inspires people is that Hong Kong's manufacturers have received more orders from overseas in the recent period. Thus, an increase can be expected in exports in the second quarter.

Statistics show that in the first 2 months, the number and total value of real estate transactions increased by 16.4 and 120.2 percent, respectively, over the same period of last year. Foreign investment in Hong Kong, including the purchase of land, whole commercial buildings, and luxury apartments, is increasing day by day. At present, the residential buildings market is stable, and there is violent competition in respect to interest rates for mortgage loans. All this is favorable for home buyers. The rent for office buildings has been raised, ranking Hong Kong fourth in the world in this respect (behind Tokyo, New York, and London). Sales of high-grade factory buildings are also growing.

Hong Kong investors and foreign funds are bullish about Hong Kong's stock market. On 8 January, the Hang Seng Index reached a record 1826.84. After a correction over the past 2 months, the stock market is now on a new rising track. Both buying and selling are brisk. The index rose by more than 180 points after successive rises in the past 7 days. According to recent announcements on the operations of listed companies last year, there was an average increase of about 20 percent in their net profits.

More large-scale construction projects have been started this year than in the same period last year, such as the cross-harbor tunnel in the eastern district with a total investment of more than HK$3 billion; Exchange Square with an investment of more than HK$1 billion; the third phase of the Discovery Bay project with an investment of more than HK$700 million; the Hung Hom reclamation project; the China-Hong Kong pier and square with an investment of more than HK$1 billion; the new Bank of China building with an investment of HK$1.1 billion; the Kowloon Park reconstruction project; and the Lok Ma Chau bridge project. This reflects the investors' confidence in the future of Hong Kong. It has also promoted the development of the entire building industry.

What worries people is the decrease in Hong Kong's export and entrepot trade in the first 2 months, which was 8.1 and 5.8 percent, respectively, compared to the same period of last year. Therefore, there has been a stronger demand that the government should support the development of industry in this city.

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CSO: 4006/951

CHEUNG KONG, EVER BRIGHT OFFICIALS HELD 'CULPABLE'

HK260659 Hong Kong SOUTH CHINA MORNING POST in English 26 Apr 86 p 1

[By Financial Editor John Mulcahy]

[Excerpts] Billionaire financier Li Ka-shing and several other Cheung Kong (Holdings) executives have been named by the Insider Dealing Tribunal of Hong Kong as having a "high degree of culpability" in insider dealing surrounding transactions completed two years ago.

After almost 18 months of deliberation and thousands of hours of evidence, the tribunal--Mr Justic P.G. Clough, Mr Gordon Macwhinnie and Mrs Barbara Wong--found that culpable insider dealing took place when Starpeace Ltd, a company conrolled by Cheung Kong, sold 55,634,000 International City Holdings (ICH) shares between 16 January and 1 March 1984.

Named with Mr Li were Cheung Kong itself, Starpeace Ltd, Chow Chin-wo, George Zang, Albert Chow and George Magnus. The two Chows, Mr Zang and Mr Magnus were all executives of the Cheung Kong group at the time of the deal.

Mr Zang has since retired from the group and is believed to have emigrated to Canada.

Also named as culpable inside dealers were John Tonroe, former group finance director of Hong Kong Electric Holdings; Mr Chris Tse, deputy general manager of Ever Bright Holdings Real Estate Division; and Lasu Chi-leung, an architect and project manager of Cheung Kong.

Mr Tonroe left Hong Kong Electric soon after control of the power utility was sold to Hutchison Whampoa by Hong Kong Land early last year.

Hong Kong insider dealing law provides for no action further than the identification of parties found to be culpable insider dealers, and in this sense the penalty is in the publication of the names for public knowledge.

Mr Li was unavailable for comment last night but the Cheng Kong board of directors later issued a statement.

It said the board was "very disappointed with the Tribunal's determination in so far as it relates to the sales of 55,634,000 ICH shares involving a sum of approximately $39 million by a subsidiary company of the group.

"The board does not agree with the report's overall conclusion." It goes on to say Cheung Kong is seeking advice regarding its legal position after publication of the report but does not elaborate on any action that might be taken.

"The findings of the Insider Dealing Tribunal confirm that none of Cheung Kong (Holdings) directors was involved in any insider dealings in ICH shares for their personal account," the company statement said.

The tribunal was appointed by Financial Secretary Sir John Bremridge after representations to him by the Securities Commission to the effect that there was a case for futher and urgent investigation into dealings in ICH between January and June 1984.

The commission's suspicions had been aroused as a result of certain dealings in ICH shares before and after news had broken of a transaction between an ICH subsidiary, Zangforce Ltd, and Cheery Bright Ltd, a subsidiary of the Beijing-backed Ever Bright Industrial Co.

The on-off deal started when Ever Bright entered into an agreement to buy four blocks in the City Garden development in North Point from ICH.

As a result of the news the ICH share price rose sharply, continuing to a high of 82 cents in February 1984 after trading below 50 cents at the start of that year.

A critical factor of which the general public was unaware until much later was a clause enabling Ever Bright to withdraw from the deal and with a full refund of deposits it had paid.

The Securities commission found evidence of share purchases by parties connected to ICH before news of the transaction was announced and sales onto the market when news of the transaction was out.

According to the report, Mr Li professed ignorance of Hong Kong's insider dealing provisions, and although he told the tribunal "he would not tolerate insider dealing by his associates, he demonstrably fed relevant information relating to ICH shares to C.W. Chow, who was the director of Cheung Kong, and Starpeace, who had authority to deal in ICH shares held by Starpeace as the vehicle for the Cheung Kong group."

Despite the fact that the insider dealing was modest in size, the report says, and primarily the result of ignorance of insider dealing law on the part of C.W. Chow and Mr Li, "the latter should have made it his business to ensure that he, or at least those he entrusted with share dealing on behalf of the Cheung Kong (Holdings) group, were conversant with the practical application of the law relating to insider dealing."

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ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PROSPECTS FOR INDIVIDUAL INVESTMENT MARKET

Shanghai SHEHUI KEXUE in Chinese No 10, Oct 85 pp 22-25

[Article by Long Hua [7893 5478] of the Industrial and Commercial Bank, Changde Prefecture, Hunan Province : "China's Individual Investment Market Is Forming"]

[Text] Under the capitalist system, the word investment is referred to as the activity of putting capital into enterprises in order to earn profits and is carried out mainly through the purchase of stocks and bonds issued by enterprises and corporations. Under the socialist system, it is generally referred to as capital construction investment. The word individual investment which this article is about to discuss is referred to as the economic activities of urban and rural residents who, in order to make some money, use their disposable income to purchase stocks and bonds (including treasury bonds) or directly engage in business operations.

In the past few years, along with the development of the commodity economy and the gradually deepening reform of the economic structure, China's urban and rural individual investment market has not only appeared but also begun to exert greater and greater influence on the economic life as each day goes by. Individual investment market is an important component of the financial market and its development situation has a vital bearing on both the financial market and social life. Therefore, this article is going to publish some humble opinions on the motivations and causes of the formation and development of China's individual investment market, the significance of individual investment, the main forms of China's individual investment, problems currently existing in individual investment and countermeasures for such problems.

1. The Motivations and Causes of the Formation and Development of an Individual Investment Market

There are three major factors in the formation and development of China's individual investment market:

First, a commodity economy is the foundation for the formation of individual investment market.

Under the condition of a natural economy, producers carry out production in order to support themselves and there are very few surplus products and very little demand for investment; therefore, it is unnecessary and impossible for an individual investment market to appear. Under the condition of total planning, investment is arranged by the state in a unified manner; therefore, it is impossible for an individual investment market to appear. In the past 30 years or so, China's commodity economy was very underdeveloped because it practiced a highly centralized and unified planned economy. In 1983, each of the rural laborers, who account for 70.7 percent of all social laborers, provided only 392 yuan of commodities whereas each staff member and worker of state-owned enterprises created 32-fold more in commodities. This shows the degree of underdevelopment of China's commodity economy and explains why it was impossible for an individual investment market to appear in the past. Under the condition of vigorous commodity economic development, a diversified economic structure and multiple investment channels will appear to meet the demand for diversified investment. In addition, because commodity producers (state-run, collective and individual enterprises and specialized and major rural households) have the corporate status of independent commodity producers, they may, under the guidance of state plans, make their own arrangements regarding production plans and orientation, make their own decisions on income distribution and personnel placement and have the decision-making power in investment and fund raising. These commodity producers who have the status of an economic corporation strongly call for the appearance of individual investment market.

In the past few years, since the reform of the rural economic system was carried out, rural areas have changed the self-supporting and semiself-supporting production situation and begun to develop a commodity economy at full steam. The tide of rural investment demand was the first to open up the gate of a rural individual investment market. It was in rural areas that individual investment markets first appeared and then developed rapidly. Along with the rapid development of small town enterprises and the two-household economy, multifarious forms of individual investment such as sole proprietorship, partnership, employee stock ownership and stock and bond purchases have appeared in rural areas. Following the individual investment fever in rural areas, individual investment activities also appeared in urban areas. At first, urban collective enterprises absorbed individual investment. Then, local governments issued bonds to absorb individual investment and so did some large enterprises and major state construction projects. By now, an urban individual investment market has also begun to take shape.

Second, the reform of the investment system is a condition for the formation of an individual investment market.

For a long period of time, China implemented a unified and centralized state investment policy-making system under which the state was the sole investor for the reproduction of society and all capital construction funds and circulating funds needed for expanding production were all allocated by the state. Under such an investment policy system, it was impossible for an individual investment market to appear. In the past few years, along with the reform of the investment system, the state has made direct investment only in major state construction projects, substituted "state appropriations for loans" in general construction projects and allowed enterprises to use their own funds or raise social funds for investment, thus abolishing the previous centralized state investment policy-making system and resulting in a pluralized investment policy-making structure where investment policy-making is decentralized, investment demand is diversified and sources of investment are multiplied. The new investment system created some room for the individual investment market and paved the road for the formation and development of an individual investment market. From the changes in the structure of the sources of investment in the past few years, we can see the trend of development in individual investment markets:

Table of Changes in the Structure of Sources of Investment

	1978	1979	1980	1981	1982	1988
State investment	83.3	75.9	53.7	50.3	41.9	35.4
Domestic loans		1.0	7.4	10.1	13.1	14.3
Foreign capital		3.0	9.6	7.8	10.3	6.9
Self-pooled funds and others	16.7	20.1	29.3	31.8	34.7	43.4

Note: Self-pooled funds and others include individual investment. Except for 1983's figures which are quoted from page 302 of "China's 1983 Statistical Yearbook," all figures are quoted from page 184 of "China's 1983 Economic Yearbook."

From the above table we can see that the proportion of state funds in total investment is being gradually reduced while that of enterprises' self-pooled funds (including individual investment) is being increased by a wide margin. The pluralized investment policy-making system has created conditions for the formation and development of individual investment markets whereas the development of individual investment markets will in turn accelerate the further improvement of the investment policy-making system.

Third, the increase in the money income of urban rural residents is a key to the formation of individual investment markets.

To make investments, individuals must accumulate a certain amount of money-capital. Before the 3d Plenum of the 11th CPC Central Committee, the increase in the money income of urban and rural residents was slow, the food and shelter problem of many peasants in rural areas was unsolved, the wages of urban workers were frozen over a long period of time and basic consumption needs were not met. Under such conditions, where did people get money for investment? After the 3d Plenum of the 11th CPC Central Committee, the state implemented the policy of helping the people to get rich and advocated the idea of letting some people get rich before others. As a result, the money income of urban and rural residents increased by a wide margin. In 1984, the average per capita money income of peasants reached 355.3 yuan, an increase of 221.7 yuan or 1.6-fold over the 1978 figure. In addition, a group of households were able to make 10,000 yuan that year. According to the survey of 7,269 higher-income specialized rural households throughout China, carried out by the agricultural department of the State Statistics bureau, the average household income reached 15,593 yuan and the average per capita net income reached 1,394 yuan in 1984. In urban areas, the average wage income of staff members and workers of state-own enterprises reached 961 yuan in 1984, an increase of 347 yuan or 56.5 percent over 1978. The rate of increase of the money income of staff members and workers of collectively-owned enterprises in urban areas was even higher. Moreover, a group of individually-owned businesses in urban areas became relatively prosperous. The increase in the money income of urban and rural residents has raised the consumption level and improved the living standards. In addition, it has resulted in a substantial increase in disposable income. This is demonstrated by the sharp increase in the savings deposits of urban and rural residents, which reached 142 billion yuan throughout the country toward the end of June in 1985. It is also demonstrated by the fact that now urban and rural residents have over 50 billion yuan of cash on hand. This is the material foundation for the formation and development of China's individual investment market.

A part of the money-capital accumulated by urban and rural residents may be used for retirement, health care, emergencies and selective purchases to raise the consumption level; the other part may be used for individual investment. The current phenomena that many 10,000-yuan rural households rush to spend all their money on the subscription of treasury bonds and urban and rural residents actively purchase stocks and bonds indicate that Chinese individuals have the desire of choosing various forms of investment to earn various kinds of profits. This is the key to the formation and development of China's individual investment market.

2. The Significance of Individual Investment

Forming and developing an individual investment market is of great significance to the reform of the economic system and the development of the commodity economy. It has many advantages including at least the following four:

A. Individual investment can raise more construction funds for the state. We need a large amount of funds for the cause of the "four modernizations," but state funds are far from being able to satisfy the investment demands of all fields. This is one of the prominent problems in the economic development of China. Relying only on the state and bank channels to solve the construction funding problem is insufficient. We must go through multiple channels, open all financial resources, give full play to the functions of state, bank, foreign, enterprise and individual investments and encourage urban and rural residents to invest their money so as to transform small amounts of scattered funds into large amounts of concentrated funds and transform idle and consumption funds of society into production and construction funds. If properly organized, transferring part of the savings deposits and cash holdings of rural and urban residents to individual investment is totally possible. If 1 percent of the 50 billion yuan of residents' cash holdings is transferred, there will be 500 million yuan of individual investment; if 10 percent is transferred, there will be 5 billion yuan. For another instance, if 10 percent of national savings deposits (based on the figure at the end of

June 1985) is transferred, there will be 14.2 billion yuan of investment; if 20 percent is transferred, there will be 28.4 billion yuan. This is a considerable figure.

With the approval of the State Council, a plan has been worked out lately to issue 2 billion yuan of bonds to solve the funding problem of township and town enterprises and urban collective enterprises. This is a very wise and feasible measure. Because currently township and town enterprises and urban collective enterprises are growing very fast, issuing bonds to absorb individual investment can solve the funding problem of collective enterprises and reduce the pressure on the market caused by residents' purchasing power. This is conducive to the reforms of the economic and price systems.

B. Individuals' involvement in investment can increase investment returns. Encouraging individual investment can change the number of China's policy makers from three--the state, bank and enterprise--to four. Because they have to take greater risks in investment, individuals will pay more attention to selecting the orientation, forms and conditions of investment and do their best to gain more profits from their investment, thus making it possible for investment to flow freely according to the amount of capital returns. For one thing, this practice enables social funds to flow automatically to those departments and enterprises which have greater investment results and higher efficiency and provides more investment for those enterprises which have advanced technology, good quality of products and high labor efficiency and for the development of new technology and products, thus accelerating the development of those departments and enterprises which have greater economic results and are urgently needed for the development of the national economy; for another, individuals' involvement in investment links investors' economic interests directly to those of fund raisers to insure the sharing of risks and interests and forces both investors and fund raisers to be concerned with the results of the use of funds, thus resulting in greater returns on investment.

C. Encouraging individual investment can regulate social purchasing power. Along with the increase in the money income of urban and rural residents, cosumption funds have increased abruptly in the past few years and the major part of the increase in the national income has been personal income. During the 4 year period between 1979 and 1982, China's national income increased by 123.7 billion yuan, of which, 102 billion yuan, 83 percent, went to peasants and the staff members and workers of material production departments. In 1982, 129 percent of the increase in the national income was used in consumption. The increase in consumption funds is not a result of increased national income and labor productivity. Instead, it is a result of improper distribution of national income, increased foreign debts and additional issues of currency. The abrupt increase of consumption funds is bound to increase social purchasing power and cause great pressure on the market. Then, how do we regulate social purchasing power to reduce the pressure on the market? This year, in addition to increasing the production of readily marketable consumer goods, the state adopted some special measures to withdraw currency from circulation while vigorously promoting savings deposits. However, savings deposits are the same as purchasing power, only deferred. It can cause potent pressure on the market. Therefore, I think raising the interest rate of savings deposits is not the best way for the state to stabilize savings.

Besides, some residents are no longer interested in the interest rate of savings deposits. They hope that they can find an ideal kind of financial asset that can not only maintain but also increase its value. Under general conditions, returns on individual investment are greater than interest on savings deposits. Therefore, encouraging individual investment can directly transfer part of savings deposits and cash holdings to investment to alleviate the supply and demand contradiction of the market, reduce the pressure on the market caused by surplus purchasing power, regulate social purchasing power, promote a balance between the supply and demand of social commodities and help stabilize prices, maintain currency value and ensure market prosperity.

D. The formation of an individual investment market can accelerate the perfection of the money market. The money market is where capital creditors and debtors make contact with each other to buy and sell capital commodities. Major financial instruments used for trading on the money market are stocks and bonds. Except for enterprises, urban and rural residents are the only subscribers of stocks and bonds; therefore, individual investors are major prospects for the subscribers of negotiable securities. For instance, about half of the treasury bonds, worth nearly 10 billion yuan, issued in the past were purchased by individuals. At present, social fund raising in some areas is mostly aimed at urban and rural residents. Therefore, to improve and develop the money market, China must have a relatively developed individual investment market. Without an individual investment market, the money market will be imperfect or inactive.

3. Main Forms of Individual Investment

Judged by the experiences of most countries in individual investment and the practices of individual investment already appeared in China, I think China's individual investment may take two basic forms. One is property investment. For instance, individuals invest in enterprises in the form of partnership or sole proprietorship, rent, lease or contract for the management of small state enterprises and construction businesses or purchase real estate. The other is stock investment such as subscribing to stocks and bonds.

China's individual investment is only a very small part of the whole national investment structure. It is a supplement to state investment. At present, since the personal money income of China is not high and the scale of the accumulation of disposable income is limited, it is impossible for individual asset investment and privately-owned enterprises to adopt many characteristics; therefore, at present, stock investment is the main form of individual investment in China because it has the following characteristics: 1) The minimum amount of stock investment is small. Stocks and bonds are issued in small denominations and large numbers of shares which are compatible with the characteristic that residents in China have little surplus income. Investors may purchase more when they have more money and less when they have less. 2) The liquidity of stock investment is high. Negotiable securities purchased as individual investment are generally allowed to be freely transferred on the money market. If investors want to transfer investment, they can always sell their securities on the money market and then purchase the kind they think is an ideal investment. 3) Stock investment can be easily turned into cash. If investors want to cash investment securities for emergency use, they can sell, pledge or cash them at a discount on the money market.

There are mainly five concrete forms of individual security investment:

The first one is stock. Stock as a form of individual investment is applicable mainly to enterprises which allow their staff members and workers to become shareholders, to enterprises established by individuals in the form of partership and to enterpries of the tertiary industry. At present, many township and town enterprises and urban collective enterprises have pooled funds by issuing stocks to individuals, but very few state-run enterprises have yet pooled funds through stock issuance. From now on, along with the increasingly in-depth reform of the economic system, state-run enterprises, even large and medium-sized ones, will also issue stocks to their staff members and workers to pool funds.

The second one is treasury bonds. This is a financial resource for China to pool funds to carry out major state construction projects and offset financial deficits. Treasury bonds belong to the category of state and government bonds. Characterized by a good reputation and no risks, they are an excellent form for absorbing individual investment. In order to give a better play to the function of absorbing individual investment of treasury bonds, China's treasury bond system should be reformed. The general orientation for reform is to raise the interest rate, shorten the time period, allow circulation and enable treasury bonds to really become a choice in the main forms of individual investment.

The third one is financial bonds. According to some special financial demands, banks may, in addition to organizing the savings deposits of residents, issue financial bonds to raise funds needed for special loans. Financial bonds are also a kind of investment security extremely welcomed by individual investors. It also has the characteristics of good reputation and no risks. The issuing banks can not only reduce their service of handling the withdrawal, deposit and interest calculation of savings deposits but also gain a stable source of funds to meet some special financial demands.

The fourth one is local government bonds. In order to develop the local economy and meet the financial demands for some major local construction projects or public facilities directly benefiting urban and rural residents, local government bonds may be issued to local residents or people from other areas living in the same area to absorb individual investment.

The fifth one is corporate (enterprise) bonds. This is a kind of negotiable security issued by corporations (enterprises) to expand the scale of production and operation or carry out technological transformation. Corporate (enterprise) bonds may be issued to the public in addition to the staff members and workers of the corporation (enterprise).

4. Problems and Countermeasures of Individual Investment

Encouraging individual investment and opening an individual investment market is a new task. It is not a simple issue concerning the form of investment.

It concerns the interests among the state, collectives and individuals, financial and credit income and expenditures, overall balance, the planned economy and market regulation. It has vital bearing on the reform of the economic system and the development of the commodity economy. Therefore, it is necessary to open an individual investment market to invigorate the economy; it is also necessary to strengthen macroeconomic control, overcome blindness and enable the individual investment market to develop soundly along the orientation of socialism.

First, individual investment laws should be formulated. Individual investment concerns complicated distribution of interests pertinent to property equity and ownership and is subject to very little administrative interference and regulation; therefore, it is necessary to pay attention to the application of economic and legal means for the purposes of control and regulation. At present, the state should promulgate some provisional rules and regulations for the control of individual investment and then gradually formulate official laws on individual investment so that investors, fund raisers and supervisors will have some laws to go by.

Second, special administrative organs should be established for individual investment. Individual investment is another channel for pooling funds other than the state treasury and banks. Without a special administrative organ to strengthen control and supervision, it is possible to cause adverse effects on the control of the scale of capital construction, the fields of investment, the distribution of dividends and extra dividends, the prevention of speculative activities, and the protection of individual investors' interests. Because of this, before the state establishes a special individual investment administrative organ, a special individual investment administrative organ must be established in the central bank to manage, examine and supervise all matters concerning individual investment.

Third, the stock market should be opened. Whether individual investment securities can be bought and sold freely is an important condition for ensuring whether an individual investment market can develop smoothly. Prohibiting stocks, bonds and other investment securities from having a certain degree of liquidity and occupying investors' capital over a prolonged period of time can increase investors' opportunity costs, dampen their enthusiasm and hinder the exercise of the function of regulating capital distribution through the purchases and sales of investment securities. Before the conditions for opening the stock market are ripe, individual investment securities should be allowed to be cashed at a discount or pledged at banks. After such conditions are ripe, a stock market should be opened to facilitate the circulation and transfer of individual investment securities.

Fourth, individual investment income should be fixed rationally. Individual investment income concerns the interests of the state, collectives and individuals. If individual investment income is too high, it will increase the investment cost of fund raisers and adversely affect the interests of the state and collectives. If it is too low, it will adversely affect the enthusiasm of individual investors. Therefore, when fixing individual investment income, equal considerations should be given to the interests of the state, collectives and individuals. Generally speaking, stock investment involves investment risks, but it yields extra dividends; therefore, the amount of dividends paid on stocks should be slightly smaller than the amount of interest paid on fixed 1-year savings deposits. Bond investors get their capital and interest back at a fixed date and cannot enjoy extra dividends because they are not responsible for the success and failure of enterprise management; therefore, the amount of dividends paid on bonds should be slightly greater than the amount of interest paid on fixed savings deposits of the same class. Aside from this, in order to encourage individual investment, we may also consider, in accordance with the characteristics of the returns on investment projects, distributing or supplying to individual investors a fixed amount of raw materials and fuel, giving them priority in regard to the material indexes of various consumer goods or directly issuing bonds that will be repaid in these material objects.

Fifth, the field of individual investment should be controlled. In order to prevent individual investment from adversely affecting the state plan and the national economic structure, the state should, in addition to providing the scope of use for individual investment, announce on a regular basis the field of individual asset investment to chart the orientation of individual investment, prevent the blindness of individual investment from causing negative effects on the national economy and enable the individual investment market to give real play to its positive function of supplementing investment, perfecting economic structure and invigorating the economy.

Sixth, progressive taxes should be levied on individual investment income. Urban and rural residents' individual investment income is a lawfully earned income. It is a reward for contributing construction funds to the state. However, along with the increase in the personal income of urban and rural residents, individual investment will increase as each day goes by; so will the income from these individual investments. In order to readjust the relation of interests between the state and individuals, it is necessary to levy progressive taxes on individual investment income. To start, it is necessary to set a higher cutoff point on the amount of taxable income and a lower tax rate which may be gradually readjusted later according to the development of individual investment.

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ECONOMIC MANAGEMENT

NATIONAL PROGRAM TO MODERNIZE ENTERPRISE MANAGEMENT

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[Text] Beijing, April 26 (XINHUA)--China has drawn up its first national development program for modernizing enterprise management, according to a senior economic official here today.

The program will help to explore ways for setting up a modern business-management system with Chinese characteristics during the Seventh Five-Year Plan period (1986-90), Zhang Yanning, vice minister of the State Economic Commission, told factory directors and managers at an economic forum here.

It will also help to lay a solid foundation for rapid economic growth during the last decade of this century, said Zhang, who is also in charge of the program.

The program was drawn up by a group of business-management experts who have made a comprehensive survey of the present business-management conditions.

It is learnt that the state has chosen 6,400 large and medium-sized industrial enterprises that produce 66 percent of its income to be the pace-setters in the management modernization drive.

With the stress on improving the quality of products and reducing consumption of energy and raw materials, it has set targets for management for different enterprises to achieve.

At present, Zhang said, production under a highly centralized system is gradually being replaced by more flexible policies that encourage independent management with responsibility over profit and loss. Profits depend more on modern management than anything since good management will lead to mass production of quality items at the lowest possible cost, he stressed.

Zhang called for implementing the program sincerely so as to imbue the enterprises with more vitality, raise economic efficiency and expand productivity.

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ECONOMIC MANAGEMENT

MACROCONTROL TO ENLIVEN LARGE ENTERPRISES

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[Article by the Research Office of the Jiangsu Provincial CPC Committee: "Macroeconomic Control Must Be Made Conducive to the Stimulation of Large and Medium Enterprises"]

[Text] According to the spirit of the instructions of the responsible comrades of the provincial CPC Committee, since last March, we have gone to Xuzhou, Nanjing, Nantong, Changzhou, Wuxi and other cities to investigate and study the question of how we are to invigorate our large and medium-sized enterprises. We investigated 26 large and medium-sized factories and had get-togethers and discussions with over 100 responsible comrades at the basic level. During the several months of investigation, we deeply realized that to invigorate our large and medium-sized enterprises, we must create certain external macroeconomic conditions for them. When the various levels of central, provincial, and city economic departments, especially comprehensive economic departments, adopt economic, administrative and legal means to conduct macroeconomic administration and inspection, give guidance, and regulate enterprises, they should not only proceed from the whole national economic situation and start from striking financial, credit, materials and goods and foreign exchange balances and harmonize major proportional relations, but also get a tight grasp on the key link of economic structural reform, start from enlivening large and medium-sized industrial enterprises and correspondingly formulate decisions, principles, policies and measures of macroeconomic administration.

Judging by the findings of the investigation, at present, people differ greatly in their understanding and views about the strengthening of macroeconomic control. Comrades in some responsible economic departments think that strengthening macroeconomic control means "taking back power," and restoring past practices. Comrades in some enterprises think that strengthening macroeconomic control means reducing the decisionmaking power of their enterprises and tying hands which have just been freed. Other people hold that current macroeconomic controls are an expedient measure and that "historical experience has proved that it is the naive who suffers and that one will be all right if one can brave this temporary trend." Different understandings necessarily give rise to different reactions. Economic departments differ in ways of imposing control over lower levels, and each basic-level enterprises also adopt its own different measures to deal with the control. We think the macroeconomic control that the state imposes on the entire economic situation is not an expedient measure, but a fundamental principle that we must adhere to for a long time in developing the planned commodity economy under socialist conditions. Both the state's economic departments at various levels and any of our basic-level enterprises must correctly understand and handle the relationship between macroeconomic control and microeconomic invigoration. During the investigation, we made a solid analysis of new situations and problems that had emerged in the production and operation of large and medium-sized enterprises since we strengthened our macroeconomic control in 1985, and we studied and probed into, from the standpoint of invigorating these enterprises, the following principles that we should pay attention to in imposing macroeconomic control:

First, proceeding from the overall goal of the whole national economy, the policy decisions and measures of macroeconomic control must be conducive to fully exploit the advantages of large and medium-sized enterprises.

The whole national economy is an overall situation in which all the links and sectors are mutually related and interact and thus form a vast complicated system. In this vast system, our large and medium-sized enterprises play a decisive role. Judging by what people at the basic level have told us, in formulating their policy decisions and measures of macroeconomic control, the economic departments at various levels should pay attention to the following three points:

1. Concerning the policies that handle relationships among various economic levels, we should focus attention on the large and medium-sized enterprises that have major significance on the whole situation. An important mission for economic departments at various levels in imposing their macroeconomic control is to satisfactorily regulate and coordinate the relationships among various economic forms and economic levels. In the process of the implementation of the policy of opening up to the outside world and enlivening the economy at home, we adopted a series of macroeconomic policies of opening up and enlivening aimed at our small enterprises and collective enterprises. This is entirely correct and necessary. In reality, however, this has a very strong impact on our large and medium-sized enterprises. Since the competition was not carried out under equal terms, in regard to retained profits and bonuses and fringe benefits for employees, "state-owned enterprises enjoyed less satisfactory treatment than collective ones, large and medium-sized enterprises enjoyed less satisfactory treatment than small ones." Therefore, we could not fully turn the advantages and strengths of large and medium-sized enterprises into real vitality in their production and operation. At present, scientific and technological workers in quite a few large and medium-sized enterprises want to leave for jobs in other enterprises, and their contingents of employees are having second thoughts. This hinders exploitation of their initiative in improving economic results. During our investigation, many factory directors expressed a common view that the state should shift the focus of its preferential policies toward enterprises onto enlivening its large and medium-sized enterprises. The economic departments must regard invigorating large and medium-sized enterprises as the strategic key to their macroeconomic management and implement preferential policies in taxation, credit, price, wage, benefit and other spheres to fully exercise the advantages of large and medium-sized enterprises concerning their products, funds, equipment, personnel and management.

2. When the power to administer enterprises has been transferred down level by level, the administration over large and medium-sized enterprises by local economic departments at various levels must be consciously geared to the overall development of the whole national economy. We have contacted quite a few officials of the enterprises which were previously under the jurisdiction of ministries or provincial governments. They expressed different degrees of worry about the question of whether local economic departments would be able to administer satisfactorily after their enterprises were transferred to the jurisdiction of local governments. For since the enterprises were transferred downward, there has been a drastic change in their supply of energy and raw materials, sources of funds and personnel, and external economic cooperation and coordination, and many real difficulties have emerged. For the time being, local economic departments are not entirely able to help them overcome the above-mentioned difficulties. In particular, it takes a relatively long period of time for local economic departments to learn, grasp and improve their ability to take responsibility for leadership and administration over large, modern backbone enterprises. Under these circumstances, it is particularly necessary for local economic departments to foster their sense of the whole situation and respect enterprises' decisionmaking power over their production and management and original external links and cooperative relations. We believe that through prolonged practice of production and management, enterprises understand very well their position and role in their lines of trade and are also very clear about whose jurisdiction they should come under and what relations they should establish. Thus, in the process of transferring downward the power of administration over enterprises, we should not adopt the simplistic method of issuing administrative orders to decide what departments our enterprises should come under the jurisdiction of, but should allow enterprises a certain freedom of choice in the light of reasonable external economic relations required.

3. Whatever policy decision we adopt and whatever measure we take, we should fully estimate the possible impact of the decision or measure on large and medium-sized enterprises to improve foresight and capability of control in strengthening macroeconomic control. The findings of our investigation prove that after a large or medium-sized industrial enterprise makes a policy decision on its production and operation, it very much hopes to have relatively stable external environment to ensure the continuity of its production and operation. At various symposiums, comrades from enterprises strongly resented the evil consequences of the runaway expansion of credit and consumption funds in the fourth quarter of the year before last. The sudden change in credit policy a few months ago found many enterprises unable to continue capital construction and technological transformation projects. As a result they were unable to turn into actual production capacity the funds, materials and goods that they had put into the projects. In 1985, their production and operation were strapped by shortage of funds, materials and goods. The major causes for the above-mentioned troubles did not lie in basic-level enterprises, but were the inappropriate policies of the responsible departments concerned. These comrades universally called on the upper-level economic departments to give more planned guidance and apply the brakes less frequently; to impose more control beforehand and less restriction after; to impose more direct and less indirect control; and to do more guidance work and less mending of loopholes afterwards. It is impossible for the comrades at the basic level to have all-round access

to the information related to all sectors of national economy and they can only base policy decisions about their enterprises' production and operation on the policies of the upper-level economic departments and the supply and demand relations in the market. Therefore, when the economic departments at various levels formulate policies, they should not base policies on the situation in their own departments nor proceed from the interests and needs of one department alone, but should make a forecast of the various possible impacts of policies from standpoint of the whole national economy as a vast system and see whether the policies are conducive to macroeconomic control and microeconomic invigoration. Then they can decide whether the decisions should be made and implemented. By so doing, there will be scientific foresight in their various economic policy decisions and measures and the economic departments at various levels will be able to improve capabilities in imposing effective control over economic development.

Second, we should act in accordance with objective economic laws and coordinate and dovetail the various economic means, levers and links in various reform measures.

To satisfactorily coordinate relationships among economic, administrative and legal means, at present, we should focus on solving the problem of the responsible departments and companies of administrative nature retaining the powers that should be granted to enterprises. Under socialist conditions, it is necessary to exercise macroeconomic control over the commodity economy and adopt economic, administrative and legal means for this purpose, but we must act in accordance with economic laws whatever means we adopt. Within a certain scope, in particular, when unusual situations emerge in economic life, very obvious results can be achieved through administrative intervention. However, the effect of intervention by administrative means is often uniform; hence this intervention will inevitably sever some rational economic relations and hinder the normal operation of the economic mechanism in some spheres. So, when we apply administrative means in the intervention of our economy, we must also respect objective economic laws and adopt corresponding economic means to coordinate with them At present, we should pay attention to summing up the experience in economic work, gradually establish and perfect the regulations and rules that correctly handle economic relations and interests and set up systems and formulate laws for economic administration to overcome the practice of carrying out economic administration at will.

When we were making investigation in various cities, the large and medium-sized enterprises unanimously reflected the problem of industrial companies of adminstrative nature retaining the decisionmaking power that should be transferred to enterprises. Most of these companies evolved from the various responsible industrial bureaus in the reform in government organizations in 1983, but the functions of the governments have not been separated form the functions of enterprises and the responsibility of office for these companies have not been clearly defined. As a result, these companies firmly held onto the decisionmaking power that should have been granted to the enterprises, and through both economic measures and administrative orders interfered with the production and operation of enterprises. These companies were bloated and overstaffed, and charged a great deal in management fees, burdening the enterprises. Over the past 2 years, some companies of administrative nature seemed to have applied economic means in administering the enterprises, but their motives were not to satisfy the demand of objective economic laws themselves, but to improve their administrative orders. If we fail to solve the problems related to these kinds of companies, it will be very difficult to invigorate large and medium-sized enterprises. We must consolidate and reorganize these companies in accordance with the principle of separating the functions of government departments from those of enterprises and of streamlining administration and decentralizing power.

We should satisfactorily coordinate the relationships between various economic levers. The governments at various levels should set up authoritative organizations of comprehensive coordination. Large and medium-sized enterprises unanimously reflected the fact that at present few of the regulations by the State Council and the provincial and city governments on expanding the decisionmaking power of enterprises have actually been implemented in factories. In addition to some responsible departments and companies of administrative nature retaining power, another important cause is that some of the reform measures are not complete, the relationships between some economic levers have not been satisfactorily coordinated, and the regulations promulgated by some economic departments contradict or even conflict with one another; hence little of the power that has been clearly defined to belong to our enterprises can really be exercised. For example, when the prices of energy rise, the prices of products cannot rise correspondingly; goods of fine quality are not allowed to sell at better prices and the products of the same grade of well-known brands cannot be sold at the same price level; no loans or supply of corresponding materials are available for technological transformation projects approved by the planning departments; the units to which the labor department have given approval for carrying out the experiments of "paying wages in the light of economic results" fail to have corresponding approval from financial and tax departments which charge bonus taxes on the increased amounts of floating wages; it has been stipulated that there is no ceiling for bonus payments after a bonus tax is levied, but the total amount of wage and bonus payments is not allowed to exceed the figure for last March; and it is stipulated that the enterprises have the decisionmaking power to spend their retained funds independently but in fact there are many restrictions even within the scope of the stipulation. The investigation found that the major reason for the failure of coordination in the above-mentioned application of various economic means is that at the transitional period when the new and old administration systems coexist and when the former replaces the latter, in applying the economic levers in their respective charge, the various economic departments are often not good at considering and handling problems from the aspect of the overall economic reform; therefore, it is necessary for the governments at various levels to each have an authoritative comprehensive organ to coordinate the relationships among economic departments and economic levers from an organic and integrated whole of which all the parts are interrelated and interact. The normal operation of the economy of the whole society is the result of the sum of the functions of all the economic levers. Just as many factory directors pointed out: when economic departments are applying economic levers, they should apply "force" on large and medium-sized enterprises to invigorate them, select an accurate direction for the application of the "force" on each enterprise, and satisfactorily decide the "strength of the force." Only by so doing can there be a vast "joint force" to stimulate large and medium-sized enterprises.

To satisfactorily match the two economic links of production and circulation, we should analyze in a practical and realistic manner the ability of enterprise in sustaining the rises in the prices of energy and raw materials. Judging by the findings of our investigation, the phenomenon of production failing to coordinate with distribution and consumption has already been greatly eased since we strengthened macroeconomic control over consumption funds last year. Nevertheless, there has been serious failure of coordination between the two links of production and circulation. In particular, when the prices of energy and raw materials rose, the prices of products could not be increased correspondingly and exterprises were required to absorb the price rises on their own. This puts heavy pressure on large and medium-sized enterprises. We selected enterprises in different lines of trade to make a specific calculation of their actual ability in absorbing price increases. For example, the Nantong Pesticide Plant's profit fell by about 5.88 million yuan last year, an amount greater than the total amount of the plant's realized profit for the year before last. Because the industry is depressed at present, the enterprise can only absorb about one fourth of the price rises on its own. The reduction in profit caused by the price rises last year was about 12.15 million yuan for Changzhou Qishuyan Locomotive Plant. It strengthened its management and lowered its costs to offset 2 million yuan of the reduction and increased its output to earn more profit to offset 8.15 million yuan of the reduction, but its total profit was still 4 million yuan less than the year before last. There were seven factors leading to profit reductions for Nantong No 1 state-owned cotton mill. According to estimates, they would have caused a reduction of 6.49 million yuan in the mill's profit. The enterprise could make efforts to absorb 3 million of the reduction and the rate of absorption was 46 percent. All these enterprises were long-standing advanced enterprises in their lines of trade. We should say that they have relatively greater ability of absorption than other enterprises in the same lines of trade, but it is indeed very difficult to manage to absorb all the price rises on their own. The relevant departments in Nanjing City have made a comprehensive investigation and analysis of the absorption capability of the enterprises in its four major departments--the first department of light industry, and the departments of textiles machine building, and chemical industry, and found that 40 percent of the enterprises have a definite absorption capability and 30 percent of the enterprises have some capability and can still earn some profit. A portion of the absorption capability for these two categories of enterprises has been due to their technological progress and to the improvement in their management, but these enterprises mainly rely on putting in additional animated and materialized labor, increasing output and improving economic results to offset the rise in material costs. On the other hand, two categories of enterprises have relatively weak absorption capability. One category undertakes much foreign trade work and jobs assigned by mandatory plans. These enterprises lack initiative in carrying out their production and operation and the prices of their products for export and for domestic sales have dropped. In spite of relatively strenuous efforts, they are still difficulties. These enterprises account for 20 percent of the enterprises under the investigation. The other category is enterprises that consume large amounts of raw and processed materials and energy, much of which is not allocated by the state. They have to purchase materials and energy at negotiated prices and are having even greater difficulties. They have already done their upmost to absorb the price rises but still suffered losses or have been on the verge of suffering losses. These enterprises account for 10 percent. We feel that since price reform is the key to economic structural reform, we must steadfastly carry it out, but we should also make an analysis in a practical and realistic manner of the enterprises' actual capability to sustain and absorb the price reform. 1) We should raise different demands for the absorption capability of different enterprises in light of the characteristics of different lines of trade and we must not treat things in a sweaping manner without considering the differences. 2) We should rely mainly on progress of technology and improvement of management rather than putting in more animate or materialised labor in heightening the absorption capability of enterprises. This takes some time; hence we should not be too anxious in requiring enterprises to improve absorption capability. 3) We should regard the absorption capability of our enterprises as a major index for the evaluation of their comprehensive economic results and the actual amount absorbed as an integral part of the profits earned by the enterprises and link it with the wages, bonuses, and fringe benefits of employees.

Third, we should make a tangible analysis of the actual situation and encourage and help some large and medium-sized enterprises to become invigorated first.

Every large or medium-sized enterprise has its advantages and strengths, but as the characteristics of the production and operation of their line of trade varies and as their quality varies, so does their development. It is impossible for us to require all large and medium-sized enterprises to become enlivened together in a short time. But we should make sepcific analysis of actual conditions and implement preferential policies for some enterprises concerning their technological transformation, supply of energy and raw materials, credit supply, taxation, and profit delivery to encourage and help them to become enlivened earlier than others.

1. We should start from augmenting the reserve strength for national economic development and allow a portion of backbone enterprises in energy and raw materials industries to become enlivened first. Energy and raw materials industries are the foundation for the development of all industry and are also the weak links in current national economic development. Allowing these large and medium-sized enterprises to become enlivened first is of very great significance for the development of the national economy as a whole.

2. We should put an end to policy of punishing those who have made quick progress and allow some advanced enterprises to become enlivened earlier than others. In our investigation, we had contact with quite a few advanced enterprises who have relatively strong enterprise leading groups and relatively satisfactory technology and management, who have made relatively large contributions to the state, and who are entirely provided with the condition to become better enlivened and managed. Nevertheless, our policy of punishing those who have made quick progress has harmed the initiative, creativeness and enthusiasm of these enterprises and their employees. This policy has been centrally manifest in the high rate of readjustment taxes that we have imposes on advanced enterprises, the low retained profits for them, and the low bonuses and fringe benefits for their employees. At present, the rate of readjustment tax for an enterprise is determined by the record of earning profits of the enterprise in the past few years and the average per capita retained profit of its line of trade. This practice fails to take into consideration the changes in

the production, operation and prices in various industries and enterprises in the process of the readjustment since 1979 or the necessity to give certain encouragement to the enterprises that have made greater contribution to the state. Closely related to this is the practice of punishing those who have made quick progress in the process of the reform to "link wages with economic results." In our investigation, we asked many enterprises to make a specific calculation, proving that after the implementation of the policy of "linking wages with economic results," the cadres and employees in the enterprises with good economic results can get very little floating wages; while those in the enterprises originally with poor economic results can have comparitively much more benefit without making much effort. We hold that the state should give full consideration to the situation in and requirements of advanced enterprises, gradually reduce readjustment tax and thus enable them to have more funds to develop their production and improve their employee's living standard and fringe benefits. In implementing the policy of "linking wages with economic results," we should fix a base figure for tax payments and profit delivery. This figure should not be based on the actual figute for the preceeding year alone, but should be based on the average profit level of the enterprise in its history. As a basis in deciding the proportion of floating wages, we should not regard the level of per capita floating wage in the same line of trade, but the average profit level of the same line of trade. A higher proportion of floating wages should be allowed for enterprises with higher profit level, and vice versa. To enable our advanced enterprises to have vigor and vitality earlier than others, we have to focus on key enterprises in giving macroeconomic guidance. In other words, we should put our limited funds and materials and goods in the enterprises with good quality and high economic results and thus enable them to develop quicker than others.

3. We should start from opening up international market and invigorate earlier than others the enterprises with greater capability of earning foreign exchange. Large and medium-sized enterprises should be geared to international as well as domestic market. Invigorating earlier than others the large and medium-sized enterprises that are assigned with the heavy job of exports and improving ability to earn foreign exchange is of very great significance in adhering to our policies of opening up, opening up international markets, importing advanced technology from abroad, and speeding up the development of the national economy. According to the findings of our investigation, however, at present, the production initiative of quite a few enterprises assigned with heavy export jobs is not high. There are in the main the following problems:
1) industry is seriously separated from trade. As a result, the enterprises have no decisionmaking power over their production. The comrades in the Nantong No 2 state-owned cotton mill said that their enterprise knew very little about the reputation, prices and price trends of their products in the international market; hence, it was impossible for them to promptly readjust its product mix to reflect international market conditions. Because of this, they were always in a passive position in carrying out production and operation.
2) The disparity between the prices of the same products for domestic sales and exports gives rise to unsatisfactory economic results for enterprises. Enterprises even incur losses in exporting some of their products. This has a direct impact on the economic interests of the enterprises and employees.
3) The policy on the sharing of the foreign exchange an enterprise has earned

has not been implemented; consequentially, those who earn more foreign exchange are not allowed to spend more foreign exchange. We are of the opinion that the state should adopt special preferential policies toward the enterprises that are assigned the burdensome job of exports, link production with trade, gradually enable the producers to market their goods and grant the enterprises provided with the necessary conditions to directly do business in the outside world. At the same time, it must conscientiously implement the policy of sharing the foreign exchange, help the enterprises assigned with heavy tasks of exports to expedite technological transformation and thus heighten competitiveness in the international market. Moreover, we must adopt preferential policies toward the enterprises that cannot directly earn foreign exchange but whose products can be used as substitutes for imported goods and thus facilitate conservation of foreign exchange.

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URBAN PLANNING URGED FOR CONTROL OF CAPITAL CONSTRUCTION

Beijing JINGJI GUANLI in Chinese No 1, 5 Jan 86 pp 13-15

[Article by Zhang Qixian [1728 0892 0341]: "Comprehensive Urban Development Is an Important Means for Controlling the Scale of Capital Construction"]

[Text] The excessive scale and long duration of capital construction are old problems, around for many years. From 1981-1984, 232.8 billion yuan of investment was completed in the capital construction throughout China, greater than the target of 230 billion yuan set for the Sixth 5-Year Plan. It is estimated that the investment in capital construction in the Sixth 5-Year Plan period exceeded the planned target by about 85 billion yuan or 37 percent. The rate of accumulation was 30 percent for 1984 and there was a trend to continue to rise in the first half of 1985. The excessive total scale of capital construction and the excessive rate of accumulation could stimulate the quick increase in production for a short time, but were a signal for latent danger that would hinder the sustained and steady development of the national economy. It is very possible that after a certain period of time, the shortage of some products in great demand and the disruption in some weak links will give rise to serious difficulties and force the suspension of construction of many projects. Therefore, everyone has shown great concern for the issue of controlling the total scale of capital construction.

To solve this problem, in addition to imposing controls in the spheres of planning, bank loans and management of materials and goods, we should reform the existing system of allocating investment funds, materials and goods according to the division of departments, a system in which scattered land is taken for use and scattered construction is carried out, and we should implement a new system of comprehensive urban development under the guidance of the plans of urban development and capital construction. This is an effective means of control.

1. Drawbacks of scattered construction

A city which has taken shape in the prolonged process of the social and economic development is in its proper sense a large integrated, multilayer, and unified system. Its major characteristics should be: concentration, high efficiency and openness to the areas outside it. But owing to various causes, at present, there is the practice of scattered construction, with low efficiency by various units each doing things in its own way in many cities. This runs counter to the characteristics that cities must have. As a result, it is difficult to give play to the comprehensive efficiency of cities as large systems. This has not only given rise to very serious waste, but also enlarged the scale of our construction and made it impossible to effectively manage urban capital construction. Therefore, correcting the above-mentioned practice becomes an important aspect of the reform in the urban construction system. Major defects caused by scattered construction are:

1) In some large and medium-sized cities, often hundreds or even more than 1,000 projects are under construction simultaenously and most of these projects are extrabudgetary ones. This gives rise to very great difficulties in arranging the order and schedules for these projects, the management of the construction work force, the checking of the construction quality and other managerial work related to capital construction; hence, it is very hard for the responsible city departments to effectively control the scale of capital construction.

2) Units operate in isolation and build many duplicated facilities of public service (such as auditoriums, cinemas, canteens, nurseries, kindergartens, middle and primary schools, and garages). This has given rise to unnecessary increase in the volume of construction work and caused great waste.

3) It is difficult for construction units to find land. Often they fail to find land 1 or 2 years after their capital construction plans were approved and the investment funds become available. It takes 1 or 2 years or even a longer period to pull down the houses and move the people off the land after they acquire it.

4) It encourages the unhealthy practice of taking over land. Often several units want to take over the same piece of land of good location and conditions and the competition is very fierce. In some large and medium-sized cities, the expense in taking over 1 mu of farm land in the near suburbs, including subsidies for laborers who are to take other jobs, reaches tens of thousand yuan or even more than 100,000 yuan. This greatly exceeds the criteria for land compensation and job subsidies stipulated in the "Regulations on Land Taken Over for the Construction of the State." Urban land is owned by the state, but some units regarded the idle land in their possession or the foundation of their old houses as their own property and means to earn profits and even asked for one third to half of the area of building in the new houses built on the land or foundation as compensation for the transference of the land or foundation.

5) There are construction sites everywhere in cities. The volume of transport of building materials is large and routes are often redundant, increasing the congestion of urban traffic.

6) There is a shortage of building materials. The extrabudgetary projects have to find a supply of building materials on their own. This has pushed up the prices of building materials continuously and lengthened the duration of construction. As a result, the projects cannot be put into operation as soon as possible and the economic results of the investment in the projects is very poor.

7) The construction of urban basic facilities is arranged by plans. It is very difficult for construction to meet the needs of the scattered construction projects. This has given rise to serious problems. The urgent needs of some large public construction projects (such as hotels) often burden basic facilities construction departments by widely scattering constructions tasks and thus enlarging construction scale. Owing to shortage of funds and other reasons, however, it is difficult for construction projects to become productive quickly. As a result, many public construction projects cannot be immediately put into operation after their completion.

8) There is the common practice of repeated digging and mending of roads, causing the waste of much funds and materials.

9) In many cities, in spite of the fact that the volume of construction work completed in the more than 30 years since the founding of the PRC exceeds the original area of construction by several times, there has not been much change in their appearance. This is mainly due to scattered construction, which makes it both impossible for the emergence of a few decent-looking streets and hard to implement urban development plans.

10) All construction units, large or small, have to set up capital construction offices and employ full-time workers to be in charge of the work related to capital construction including looking for land, taking it over, providing jobs for the laborers on the land, purchasing building materials and assigning people to design and build the projects. There is much waste of labor in this.

2. The practice and experience of the new system of comprehensive urban development

The practice of comprehensive urban development means that under the guidance of city plans and in the light of the arrangement of capital construction plans and the possible conditions, we draw up construction plans for comprehensive development, assign development companies (we can set up diverse kinds of development companies to compete with one another) to take over land in a unified manner, organize construction units to undertake contracted responsibility for construction or urban basic facilities such as water supply, power supply, road, gas supply and steam supply facilities and the construction of various kinds of houses for public use and residential buildings according to the order of "first the underground facilities and then the construction on the ground," and then sell the buildings to the units using them or to the units that deal in property. The development companies can also take over the land in a unified manner, tear down the old buildings on it, move the people away, build the road, water, power, gas, steam and other facilities, level the land, and then fix different rates of rent for different sections of land and rent it for construction purpose to units using the land because urban land belongs to the state, it should not be sold but can only be rented). The units using land should build houses on it on their own in accordance with the requirements of city plans.

It is comparatively easy to conduct comprehensive development and unified construction in building new cities, new industrial and mining areas, small residential areas, and scenic tourist areas and in the economic and technological development areas in open coastal cities, for there is much idle land in these areas. Construction can begin as soon as there are funds and as soon as the land is taken over. We have made experiments of this kind for many years in some cities and achieved good results. We should gradually enlarge the scope and scale of the experiments in those areas.

As for the transformation of old cities, people differ about whether the method of comprehensive development is feasible. We should admit that there are greater difficulties in carrying out comprehensive development in transforming a district or street in an old city. There are many residents there, the extent of work in pulling down buildings and moving people away is large and the conditions now are very complicated and cannot meet the requirements or urban development plans; therefore, few cities are willing to try.

Since 1983, Anhui Province's Hefei City broke away with the old system and methods of city construction, implemented the new system and method of comprehensive urban development and gained experience in transforming whole streets and areas in its old urban areas. Its experience shows that carrying out comprehensive development in transforming an old city cannot only easily and quickly change the features of a city, but is also convenient for managing capital construction because of centralized and unified construction. Moreover, it can socialize the construction of public service facilities, avoid duplicated construction, and to some extent effectively control the scale of urban capital construction.

The actual methods that Hefei City have adopted in conducting comprehensive development to transform its old urban areas are: As soon as the State Council approved the general program for the development of Hefei City, the city government intensified its efforts to draw up a detailed plan for the construction in the areas to be transformed in the near future and thus promptly provided a basis for the transformation of its old urban areas. In addition, it reiterated: in the scope covered by the urban development plan, all construction units must follow the unified arrangement of the plans and all construction must be carried out in strict accordance with the plans. No unit is allowed to keep land for future construction, turn land owned by the state into that owned by a unit, or pursue "feudal separatist rule" or the construction or "urban manors." Under the guidance of the urban development plans, in a whole street that should be transformed according to the arrangement of its capital construction plan, the work of designing should be carried out in a unified manner (i.e., tenders can be invited for the designing of various projects, but the designing should be carried out in accordance with the requirements of the general design) and construction should be carried out in a unified manner (i.e., construction for projects can be contracted to construction units through inviting their tenders, but the construction should progress in accordance with the general schedule of construction) under the unified management of development companies. By so doing, the city has combined its urban development plan with its capital construction plan and thus not only ensured the implementation of the former, but also enabled the smooth implementation of the latter.

What is the source for development funds? In conducting its comprehensive development, Hefei City has not adopted the previous method of relying entirely on the state's allocation of funds, but adopted a business method to widely attract funds from the community and regard these as the major source of funds. To gain experience, the city started by making an experiment to transform the western section of Chengjiang Road, the most prosperous commercial street in the city. The original buildings along the section of road are low shacks. In accordance with the transformation plan, all the residential houses had to be pulled down and replaced by two-storey buildings, of which the first floors were used as a shopping area and the second floor as a living space for the original residents of the shacks. The construction expense was to be mainly paid by those who use the shopping area on the first floor for their business. The total investment was 1.8 million yuan, to which the units and individual traders along the street contributed 80 percent. In the 550 meter long transformed section, 3,000 square meters of old houses were pulled down and replaced by 5,000 square meters of new houses, but it took only 80 days to complete the whole process including moving away people and shops, pulling down buildings, building new houses, and moving back people and shops. The economic results are remarkable. From January to September 1984, the total turnover of the shops along this section of road rose by 174.5 percent over the same period in 1983. On the basis of the successful transformation of the western section of Changjiang Road, at the beginning of 1984, the city made an all-round transformation of the northern section of Jinzhai Road, 1 kilometer long, with a total construction area of 158,000 square meters including over 40 multistorey houses and a few high buildings. The city at first adopted the method of raising funds in the society to carry out unified construction and then switched to setting up a development company to raise funds in the society and carry out the construction in a unified manner. Except for a small portion of the new buildings which was used as residential housing areas for those whose former homes were torn down, or which was used for public purpose, all the new buildings were sold as commodities. The costs of the former portion is covered by the prices of the houses sold as commodities. Those who purchase the houses for business had to pay 30 percent of the amount when the contracts of purchases were signed, 40 percent when the principal construction work began, and 25 percent when it was completed. The remainder 5 percent was paid when all the construction work was completed. When the final account for the construction was made and the exact figures of the costs came out, the buyers were to be reimbursed any overpayments or made to pay the balance of the unpaid costs. This solved the problem relating to funds needed by the development company. After the new method was made public, not only the units in the city, but also units owned by the state and collective and individual enterprises inside and outside the province came to invest in the buildings. In conducting their administration and management, the relevant departments in Hefei City strived to provide convenience for the investors. The transformation headquarters provided loans for those who have planned quotas but the amounts of the allocated funds were not enough. The city's development company used its own quotas to carry out the construction beforehand for the units who had the funds but not the quotas. The transformation of the northern section of Jinzhai Road and the Chenghuangmiao area cost over 64 million yuan in all, of which 84.5 percent came from the funds at the disposal of the enterprises, 6.3 percent from township and town enterprises, 4.2 percent from individual households, and only 5 percent was from the state.

The method developed by Hefei City has satisfactorily overcome the difficulty in pulling down old houses and moving away people, a difficulty common for the transformation of all old urban areas, the principle of "giving back as much housing area as was taken away" was implemented. In other words, the area of new housing allocated for use is roughly equal to the area used in the houses that were pulled down. The units that invested in the construction took no responsibility for the supply of enough housing areas for the residents affected. This matched the demand of the residents in the old urban areas for the improvement of their housing conditions to the state's current economic strength and thus provided a basis for the smooth progress of the transformation. At the same time, in the light of the fact that the population and construction density was not high in its old urban areas, the city stipulated that on principle, all those who had been moved away from the areas could return to live in the areas after the new buildings were completed. Those who moved away earlier could return earlier and live on better floors in the new buildings. Those who did not return to old areas could get a little more housing area; and those who found accommodation during the period of reconstruction were paid a monthly accommodation subsidy of 0.5 yuan per a square meter of the actual housing area that they had lived in before the reconstruction. The city contracted the jobs of tearing down old houses out to the peasants in its suburbs, who in turn were paid in land with things they pulled down, and assigned peasants the responsibility for clearing and leveling the construction sites.

Comprehensive urban development is an aspect of the reform in the management system; we should be conscientious yet prudent in carrying it out. We are of the opinion that the basic experience gained by Hefei City--under the guidance of urban development plan approved by the state and upper-level governments and in the light of the arrangement of the capital construction plan, whose streets and districts of an old city can be transformed one by one by adopting business method and the method of comprehensive development with unified and coordinated management--is of universal significance. Our various areas can refer to this experience but should not copy it.

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ECONOMIC MANAGEMENT

JINGJI GUANLI ON CAPITAL GOODS, PRODUCTION QUOTA

HK250327 Beijing JINGJI GUANLI in Chinese No 1, 5 Jan 86, pp 16-18, 22

[Article by Zhang Baohua [1728 0202 5478], Dai Guanlai [2071 0385 0171], and Li Jiqing [2621 2333 1987]: "Countermeasures Against the Sharp Rise in the Price of Capital Goods Outside the Production Quota"--reprinted from WENTI YU YANJIU (PROBLEMS AND STUDY) Issue No. 13, 1985, published by Office of Tianjin City CPC Committee]

[Text] Reform of capital goods prices is an important part of the reform of the price structure of our country. Since the 3d plenary session of the 11th CPC Central Committee, the state has gradually readjusted the prices of fuels and raw materials. In 1984, it further increased the decisionmaking power of enterprises and began to acknowledge to a definite degree the right of enterprises to fix the prices of capital goods outside the production quota, permitting the prices of a portion of them to float within a prescribed range on the basis of prices fixed by the state. In early 1985, the state further liberated the prices of capital goods outside the production quota and permitted the two parties of supply and demand of capital goods outside the production quota to negotiate prices. This important measure has been determined one of the four tasks of price reform. Following the liberation of capital goods prices for industry, a number of new problems have emerged which are worthy of attention. Correct solution of these problems has an important significance in smoothly accomplishing price reform.

I. Present State of the Prices of Capital Goods Outside the Production Quota

We shall first study the proportion of total output occupied by capital goods and their price level and proceed further to study the gross level of the major capital goods.

1. The portion of capital goods outside the production quota.

According to computations made from relevant materials, in Shanghai municipality last year the proportion of major capital goods outside the production quota was as high as from 24.3 percent to 48.6 percent; in Tianjin municipality, 17 to 66 percent, of which steel materials, 31 percent; pig iron, 17 percent; timber, 42 percent; and cement, 66 percent.

The planned supply of raw materials to many major enterprises in Shanghai and Tianjin was relatively up to requirement. In other cities, towns, and regions, the proportion of raw materials outside the production quota was the proportion of raw materials outside the production quota was generally higher than in these two cities. For the country as a whole, the portion of major capital goods oustide he production quota out of the gross output of capital goods was not lower than 30 percent.

2. Prices of capital goods outside the production quota.

Prices of capital goods outside the production quota differ greatly in different parts of the country. In general, they are higher in the north and lower in the south, and higher in the countryside and lower in the cities and towns. For example, in the first 10-day period of March last year, the prices of round steel bars 6.5 mm in diameter were as follows: Tianjin, 1,400 yuan per ton; Wuhan, 1,300 yuan per ton; Xiamen, 1,500 yuan per ton; Nanjing, 1,683 yuan per ton; and Guangzhou, 1,900 yuan per ton. In markets of the initial grade, prices of major capital goods outside the production quota in the various large cities and towns are generally higher than the prices of the same kinds of capital goods allocated by the state by 166 to 283 percent. They are even higher in the medium-sized and small cites and towns and in the coutryside in the southern part of the country.

3. The gross level of prices of capital goods.

If calculation is made on the basis of the portion of capital goods outside the production quota being 30 percent of the whole and its prices being 200 percent of those allocated by the state, it is found that at present the general price level of the major capital goods has risen by 30 percent compared wtih the initial period of the price reform. This is a new situation never seen before in our country's history and should attract our great attention.

II. Consequences of the Large-Scale Rise of the General Price Level of Capital Goods

The large-scale rise of the prices of capital goods outside the production quota will cause many infurious effects on the national economy:

1. Under the current uncoordinated condition of the taxation measures, the large-scale rise of capital goods prices will bring many difficulties to macroeconomic control. A large-scale rise in capital goods prices brings about, to a definite extent, loss of control over general demand. Under the conditions of the excessive issuance of banknotes in our country in 1984, the circulation areas were flooded with banknotes; at the same time, the scale of capital construction was too large. All this has brought about a situation of supply of capital goods lagging behind demand. This contradiction between supply and demand is the internal cause for the rise in capital goods prices. Following the rise in price of

certain capital goods, prices of other capital goods likewise tend to follow, with the result that an all-round rise in the prices of capital goods inevitably follows. This in turn causes the various user units to increase their capital construction investments and their loans for circulating funds and the inevitable result is a further increase in the issuance of banknotes. Under the current condition of a sharp rise in capital goods prices, prices of consumer goods -- that is, goods of subsistence -- will face the pressure of rising. Of the receipts of production enterprises of the first category which generally deal in high-priced capital goods, a large portion, through the process of profit distribution, is converted into group purchasing power and individual consumption funds, directly invading the consumption market. In the case of large enterprises owned by the whole people that produce various kinds of mining products and energy products, the proportion of whose products within the production quota is rather large and the proportion of whose products entering the general markets is relatively small, the extent of the rise in their prices is small. On the other hand, the prices of capital goods that are intermediary products, such as steel plates and wire rods, rise rather sharply and in turn stimulate expanded reproduction of the intermediate products. At the same time, since the recovery period of investments in the extractive industry is long and amount of investments usually large, ordinary enterprises are not equal to the task and this necessarily restricts the development of the energy and basic raw materials industries. Thus, following the liberalizing of prices of capital goods outside the production quota, the contradiction between the production structure of initial-grade products of the first category and intermediary products is aggravated and the state of stringency and scarcity of energy and basic raw materials throughout economic life is intensified.

2. The large-scale rise in capital goods prices increases the user units' cost of production, expense outlay, and capital construction disbursements. First of all, it increases the cost of production of the processing and consumer goods industries. In the cost of production of our country's processing and consumer goods industries, the proportion of the outlay for raw materials is very high. As shown in statistical materials for the whole country, the cost of the outlay for materials such as raw materials and fuels account for roughly 75 percent of the total cost of production. Thus, in the case of enterprises engaging principally in the processing trade and consumer goods production departments, if calculation is made on the basis of the cost of raw materials and fuels accounting for 70 percent of the cost of production and if the general price level of capital goods has risen by 30 percent over the first part of 1984, then the cost of production of the enterprises will rise by 21 percent over the first part of 1984. The enterprises concerned will find such heavy pressure unbearable. This pressure can be weakened or covered up through the current bartering method adopted by many enterprises to obtain raw materials at a cheap price. Moreover, in the early part of last year, many enterprises were still using raw materials and fuels procurred in 1984 and thus the extent of the price changes was still not obvious and the rise in the cost of production did not

reach the above-mentioned level. But, following the capital goods outside the production quota being freely offered in the market and their prices being liberalized, and the regressive barter method being gradually eliminated by currency circulation, the state of the rise of capital goods prices will become general. This will in turn exert immense pressure, causing a rise in the cost of production of the processing industries. From January to April last year, the general cost of production of comparable products of industrial enterprises listed in the national budget already showed a 4-percent rise over the same period of the preceding year and no exception was found throughout the provinces and cities of the whole country. This attests to the immense effects of the rise of capital goods prices on the production of the processing and consumer goods industries. Seen from the condition reflected from various regions, at present, the prices of many industrial products have been forced to rise. This represents an important restrictive factor on the reform in recent years. Furthermore, following the rise in capital goods prices, the outlay for capital construction expenses will naturally rise. For example, principally due to the rise in the prices of raw materials and other materials, construction price per-square-meter of urban residential buildings has risen from 200 yuan to 300 to 600 yuan. At present, in provincial first-grade capital construction, the regions mostly procure their own construction materials. With the rise of prices of raw materials outside the production quota, investments required for completion of the same capital construction project now will naturally be much larger than previously.

3. The large-scale rise of capital goods prices affects fiscal revenues. First, it reduces the fiscal revenues of cities and towns that rely principally on the processing industries. Take Tianjin, for example. In 1984, its various taxation receipts increased by 12.9 percent over the preceding year, but the revenues derived from industrial enterprises dropped by 12.4 percent. Second, it tends to increase fiscal disbursements. In 1983, in Tianjin municipality, due to the rise of capital goods prices, its expenditures registered a net increase of 104 million yuan and in 1984 the net increase was 279 million yuan.

4. The large-scale rise of the prices of capital goods outside the production quota interferes with the fulfillment of the planned tasks and the stability of the planned prices. As a result of the rise of the prices of capital goods such as raw materials and others, many enterprises have been unable to adhere to the planned prices and cannot but reduce production within the assigned quota and expand production outside the quota in order to compensate for the losses incurred on account of the rise in prices. Originally, it was thought that these two types of prices would be beneficial to production within the quota and stabilize the planned prices, but the actual condition was not like this. The output within the production quota of the electrodes used by the Tianjin steel plant has daily shrunk in volume, but its output outside the production quota has increased daily. The fundamental cause for this was the rise in the price of the ingedient graphite as a result of which the price of electrodes rose from 1,900 yuan a ton to

3,000 to 6,000 yuan a ton. It is worthy to note that many enterprises have refused to make delivery of orders in accordance with the agreement, have deliberately stalled on delivering the goods, or raised the price in disguise. This is not necessarily because the prices under the plan are unreasonable but mainly because a big profit can be derived from the prices of products outside the production quota. In the 1st quarter of last year, the situation of enterprises under the system of unified distribution or assignment by the state stalling on contracted deliveries of major raw materials and fuels was much more serious than in the preceding 2 years. This illustrates that the large-scale rise of the prices of capital goods outside the production quota interferes with the fulfillment of the state plan.

5. A large-scale rise in the prices of capital goods outside the production quota is not beneficial to improving the economic benefits of the enterprises. Because capital goods outside the production quota command high prices and large profits, enterprises are able to increase their earnings without lowering the cost of production by simply resorting to enlarging the output outside the production quota. At present, the profit rate of sales realized by our country's industrial enterprises is generally between 10 to 20 percent, while the profit rate of certain initial-grade products is even lower and their economic benefits are limited. But with the raising of product prices, profits can be greatly increased, even doubled. Many enterprises use this precise method and bring about the abnormal phenomenon of a rise in the cost of production of products accompanied by a large-scale increase in profits.

In short, liberalizing the prices of capital goods outside of the production quota on the one hand plans an active role in promoting production and invigorating the economy while, on the other hand, due to the large-scale rise of prices, many new problems will be met within macroeconomic balancing and in various other areas.

III. Countermeasures for Solution of These Problems

In reforming capital goods prices, it is necessary not only to solve the irrational contradiction between the price relations of products of the raw materials industry and products of the processing industry but also the contradiction between the new and old economic structures, the contradiction between the prolonged insufficient supply and the sustained rise in the demand for capital goods, and the contradiction between the price reform of capital goods and the price reform of other products. These objectively existing contradictions cannot be avoided in our study of the countermeasures. Regarding the current situation, in order to solve the problems that will arise following the large-scale rise of capital goods prices, we may adopt the following countermeasures:

1. In solving the price parity relations between products of the raw materials industry and the processing industry, measures must be taken to prevent a price rise in the processing industry and in consumer goods. At the start of price reform, control of the general level of retail prices

is an important condition to ensure victory in the first battle. Under the conditions of a large-scale and abnormal rise of capital goods prices, in the past 1 to 2 years, the prices of products of the processing industry (including retail prices of consumer goods) have been affronted with the pressure of rising. As for the method of solution, aside from effecting protectional measures such as tax exemption and granting subsidies to enterprises that produce goods the supply of which generally lags behind demand and that are currently suffering from deficits, the more important measures are changing the product structure, the raw materials structure, and the industry and trade structure, and also changing the old production artcraft. Changing the product structure is changing low-grade products into high-grade products and old products into new products so as to improve the value, increase profits, and avoid losses. Changing the raw materials structure is using newly-rising materials in lieu of traditional materials, using local materials to replace materials from the outside, and using low-priced materials to take the place of high-priced materials. Changing the industry and trade structure is developing products and industries and trades of low consumption of materials, high efficiency and high level.

2. In the price reform of capital goods, it is necessary to strengthen the comprehensive use of economic levers and to create a good market environment. When facing a steady rise in the price of capital goods, it is necessary to adopt a series of macroeconomic control measures, carry out regulation, without effecting the price, of the gross demand and gross supply, and then microeconomically make the prices of various commodities gradually approach their value. This appears especially important at present. Take for example the control of the scale of capital construction. Due to our country's relatively lax control over the capital construction plan, the state is unable to control the gross amount of the whole capital construction funds including self-raised funds of the localities and the enterprises and is also unable to control the gross demand for materials. Hence, this is a plan with a gap in which the funds are, by inborn nature, larger than the material resources. To make up for this deficiency, we can adopt the method of controlling the gross volume of loans and raising the rate of the building tax. At the same time, in view of the fact that following the rise in capital goods prices the self-owned funds of the enterprises will increase, the state may adopt the countermeasure of collecting a special levy on high-priced capital goods that can yield relatively more profit. This will reduce the amount of self-owned funds of the enterprises. By means of the three measures of controlling the gross amount of loans, raising the construction tax rate, and instituting a special levy on high-priced capital goods, it will be possible to control the scale of capital construction and its excessive demand for capital goods. In addition, the state should energetically stimulate the production of "short-line" capital goods -- that is, capital goods in short supply. It may also enforce such measures as selling high-interest-bearing energy and communications bonds, thus absorbing the funds of the enterprises to the extractive, metal, and metallurgical industries and to the construction of communication facilities. Interest payments on the bonds may be made from collections of the construction tax

or the special levy on high-priced capital goods. The special levy on high-priced capital goods may also be used to develop production of capital goods that are in short supply. By means of foreign trade, the state may centralize purchases of capital goods in short supply.

Generally speaking, under the conditions of the existence of a prolonged and large demand for capital goods in the market, the state should employ a series of economic levers with finance as the principal factor and currency as the subsidiary factor to control the demand for capital goods, increase the supply of capital goods, and create a market environment featuring a fundamental balancing of supply and demand.

3. It is necessary rigidly to control the over-conversion of enterprises' self-owned funds into consumption funds. Following a large-scale rise in capital goods prices, if the enterprises producing these goods should be allowed to adopt the method of linking salaries and wages to profits, consumption funds would increase along with the rise in capital goods prices. Thus, it is necessary to enforce the system of taxing awards and also enforce the wages regulation tax, so as to avoid the excessive transformation of production funds to consumption funds and thus the stimulation to the consumer goods market.

4. In regard to the price reform of capital goods, the method of acting "once and for all" cannot be applied. Rather, a form of reform which varies with time and circumstances should be resorted to. Price reform of capital goods can copy the method of the reform of grain prices and fix mixed-proportionate prices; that is, enforcing state fixed price and negotiation price according to fixed ratios of output. By means of fixed ratios, the state can accomplish the objective of controlling the price level of capital goods. The method of reform of coal prices can also be copied according to which the planned based figure is rigidly fixed and the departments in charge exercise rigid control over it to ensure its fulfillment. The portion of surplus production is all considered as products outside the production quota and the prices are wholly liberalized. The method of reform of pig prices may also be copied, and subject certain capital goods to guidance prices that are wholly liberalized. In addition, a lesson may be learned from the method applied to enlivening the prices of "long-line" products -- that is, goods that are in full or excessive supply, that suffer from stagnant sales -- liberalizing the prices and letting them float downward, while for prices of "short-line" products in short supply the method of imposing a price limit and control of price movement may be enforced.

In short, reform of capital goods prices may adopt diversified forms and it is not necessary that the prices of all industrial capital goods outside of the production quota must be opened up and give way to consultation prices. Regarding the prices of products outside the production quota that have already been opened up, the extent of their variations must be regulated and they should not be allowed to follow their own course or development. Only by so doing is it beneficial to the thorough execution of the guideline of integration of opening up and regulation and advancing in small steps and is also beneficial to the control of the general level of commodity prices.

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JINGJI GUANLI ON ESTABLISHING INFORMATION BANK

HK220917 Beijing JINGJI GUANLI in Chinese No 2, 5 Feb 86 pp 21-23

[Article by Xiong Guosheng [3574 0948 0524]: "An Initial Probe Into the Establishment of An Information Bank"--edited by Lin Daojun [2651 6670 0689]

[Text] The setting down of goals in the management of the national economy and the implementation of policies and plans must be based on information. Establishing an effective national economic management information system is an important condition for raising the management level. This article aims to take a preliminary look at the establishment of a socialist information bank.

I. The Current Situation and Problems in Our Nation's Information Work

Scientific national economic management requires the establishment of a unified, highly selective, an interlinked information system to provide the various management organs and enterprise sectors with correct and dependable information in a timely way. How a nation's information system is organized, the effectiveness of its work, and its handling methods are important reflections of the level of national economic management. In this respect, when our nation is compared with the capitalist nations, there are very great differences.

Our nation's present information management system is far from able to meet the needs of national economic management. A management information system which is based on manual labor does not have the capacity to handle the vast amounts of information in a modern economy and has difficulty in carrying out large volumes of correct analytical calculations. Thus it often occurs that information provided is not timely and is not accurate. Delays occur in the transfer and handling of information, with the result that some regions, enterprises, and individuals waste labor, funds, and materials because information is not available or not accurate. This exacerbates the contradictions between production and sales and between industry and commerce. It is true that many factors have contributed to this situation, but the main ones are the purpose of the management information system and policy factors.

First, the leadership does not give this sufficient attention. Even now, many leaders do not give sufficient attention to the importance of information. This is a major reason for the lack of enthusiasm of information departments.

Second, the sources of information funds are too tight. The proportion of funds allocated by the state each year for information development is too small. About 80 percent of the information organizations doe not have computers or computerized conveyance set-ups. Thus information transfer is primitive and backward, which results in much useful information becoming outdated and ceasing to be useful.

Third, seen in terms of the present situation of our nation's information work,information departments have many different leaders, giving rise to both departmental and regional leadership. Each has its own set-up, and they cannot form an integral system. They pay too much attention to vertical microeconomic information and pay little attention to grasping horizontal macroeconomic information. This results in the horizontal development, transfer, and use of information being insufficient. For example, the information relationships between provinces, between departments, and between enterprises are insufficient and they cannot be well coordinated. Thus the role of information is not great and information feed back is not timely.

In addition, our nation's information work is greatly unbalanced, planning is not complete, and the phenomena of "empty regions" and duplicated labor exist.

A socialist economy is a planned commodity economy. Following the development of our nation's commodity economy, the socialist division of work will become increasingly specialized and mental labor factors (including the investigation, collection, management, verification and provision of information), will play an increasingly important role in production and become the key to economic development. The time has arrived when we must establish a system of management information organs.

II. The Feasibility of Establishing An Information Bank

The feasibility of establishing an information bank is manifested mainly in the following aspects:

1. The bank structures are complete and spread throughout the nation in urban and rural areas and are thus able to collect all information materials and quickly transfer them.

2. The state banks have a high reputation in the society and the relationship between banks and other units is extremely close. Thus they understand the economic situation well. This is the most beneficial condition for establishing an information bank.

3. Banks have been involved in information for 5 to 6 years and have already trained a large number of information personnel, and an information exchange

network involving focal cities and key cities has already been formed. The central offices, provincial offices, and branch offices in counties and cities have all appointed specialized information staff or staff who are engaged in both information and other work. Some have even established regular or periodic publications. Definite experience has thus been accumulated.

4. Banks are the general sluice-gates for controlling money circulation and the overall pivots of national financial activities. They are also the bonds linking all the sectors of the national economy, and they control the various economic levers such as credit, interest rates, foreign exchange, and account-settling. Their business activities touch on production, exchange, circulation, distribution, and similar areas, and are related to the economic links of production, supply, marketing, storage, and transport. Changes in the national economy, no matter how small, can be keenly reflected in the banks, as if they were a mirror. These characteristics are not found in other departments and the functions either cannot be carried out or cannot be carried out completely by other departments.

III. The Plan for Establishing a Socialist Information Bank

In order to strengthen the use, development, and transfer of information, we should use the banks' beneficial conditions in terms of economic measures, credit, and funds to develop a management information system. By proceeding from this base, the state will be able to establish a specialized information bank and use the banks' "sharp hearing," "long hands," detached position, and other characteristics to strengthen information service. It can be predicted that the establishment of an information bank will promote swift development of the national economy. It will unite strengths, funds, and goals, centralize dispersed information into a unified whole, and achieve a breakthrough at a fairly high level.

In establishing an information bank, we should adhere to the following principles:

First, we must have clear aims and must deeply study the needs of management in terms of information. Second, reflecting information on national economic activities should be combined with the reflection of enterprise economic activities. Third, it is necessary to have systems and standards so as to guarantee the veracity and accuracy of the information. Fourth, the information bank must accord with the needs of modern management.

After the information bank is established, appropriate policies and methods in regard to the concept, scope, degree of correctness, and degree of secrecy of information should be drafted. My general ideas on setting up an information bank are as follows:

1. The setting up of organs: In accordance with the personal interest shown by the Central Committee leaders and the requirement that those in charge of specific work grasp information, there should be established, in the same way as specialized banks are established and under the leadership of the State Council and the Central Bank, a structure including a head office, branch

offices, sub-branch offices, agencies, and service points. The advantages of this are: 1) It will be possible at any time to consult the relevant materials of the various specialized banks and the various enterprises, and thus it will be possible to give the central leaders good advice. 2) It will be possible to closely coordinate with the various specialized banks and will also avoid the situation where the specialized banks see information work as an added burden. 3) It will be of assistance to investment in key projects and the development of the information industry. This will allow the information industry's computers and the communications facilities to be linked.

2. The personnel structure: In our nation, he scope of the demand for information is growing increasingly broad. Not only do rural areas and urban areas need it, but every enterprise on the industrial, commercial and technological fronts needs it. Thus, the skilled personnel needed by our information bank need to be multifaceted. They must have good political achievements and noble moral sentiments.

They must also have the ambition to start undertakings, be rich in their knowledge of natural and social sciences, and have definite operational management abilities. In this way it will be possible to achieve the process by which information A combined with knowledge becomes information B; that is, when a piece of information input is subjected to knowledge and other information, it becomes new information for output. In other words, the information bank should be comprised of specialists, scholars, engineers, and technicians (including specialized personnel in both the natural and social sciences). This will benefit the collection and arrangement of specialized information (including information on the development trends in specialties abroad) and will result in the bank truly playing a role as an "advisory department."

3. The scope of work: The work of the information bank should include all businesses and enterprises. It should serve all businesses and all enterprises. For example, if an enterprise in Hunan wants to know the situation of an enterprises in Heilongjiang, it will investigate it by having the local information bank make contact with the information bank in Heilongjiang. If a certain enterprises has applied for credit from a specialized bank, and there is the need for an information bank feasibility investigation report (which would include economic benefits, the degree of advancement of equipment to be imported, and so on), then such a report can be issued. If the information bank shows that something is clearly feasible, then the specialized bank will have to supply credit. It will not be permitted to refuse credit on any pretext. This will change the present situation where credit personnel do the feasibility investigation despite a lack of other specialized knowledge, and thus avoid problems such as credit being wasted.

4. The deployment of facilities: The accuracy, veracity, and effectiveness of information is determined to a large degree by information technology. If there is not good communications technology, then there will be no way to compete with foreign countries. In facing the "information explosion," the information bank must have the assistance of calculating systems and computers. Only if it has the advantages of great storage capacity, fast search and recall, and analytical applications will it be possible to correctly

reflect the situation, assist the decision makers in understanding the situation, and supply decision makers with useful decision making materials. The flexibility of information handled by the information bank will be very great and it will always be waiting to be dispatched. Once the transmission and exchange targets are found, the bank will be able to immediately respond and, after handling and conversion into information energy, the information can be speeded in all directions. It will be able to quickly change and adjust itself in accordance with the situation to achieve new leaps in its operational processes.

The service tasks of the information bank should be as follows:

First, automatically selecting and verifying the information which comes from the system's information stores (including technological, nontechnological, and commercial information). Second, automatically noting, appraising, and extrapolating trends, studying past experience, and drawing up a comprehensive systematization of these experiences. Third, automatically appraising and drawing inferences from data and materials, constantly comparing future possibilities and the changing current situation, and circulating notices on the necessity of intervention when deviations occur. Fourth, carrying out research so as to ascertain and investigate those plans which can be realized. Fifth, carrying out analyses of the various expenditure-income and consumption-efficiency plans, revising income structures, and, in accordance with the changing peripheral conditions, applying them. Sixth, regularly investigating the sum total of stipulated targets (the principles of the targets and the strategies and tactics by which they are to be achieved) so as to discover the various changes which may occur. Seventh, in the situation where systematic development is uneven, modifying interrelated coefficients or centralizing the changes occurring. Eighth, changing standards in accordance with the best possibilities (for example, appropriate decision making in regard to investment in scientific research projects when changes occur in the funds situation) and arranging priorities and different levels for projects. Ninth, researching the feedback efficiency and feedback curves at different levels. Finally, formulating fairly simple strategies.

5. As information enters society, it should, in the same way as other commodities, be exchanged in accordance with the principle of exchange at equal value. The setting of its price should in theory be done on the basis of the social profit which can be obtained from the information and should be compensated at full value. Only in this way will the information bank be able to maintain and expand the fine information cycle realized, will it not require state subsidies, will it be able to reduce the burden on the people, and will it be able to hand over profits to the state.

6. The linking of responsibilities, rights, and interests will be achieved. The information bank should take on economic responsibility for all the information it provides. If an enterprise obtains information from the information bank and, in practice, errors and mistakes occur as a result of

the information, giving rise to losses by the enterprise, then the information bank will have to take on the responsibility and compensate the enterprise for its losses. If the information bank supplies information which is not correct, and if this results in great losses for the state or has international repercussions, the information bank will have to take legal responsibility.

Thus, in order for the information bank to develop its work normally, the state should formulate appropriate policies and laws to raise the information banks' authority.

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ECONOMIC MANAGEMENT

EFFECTIVE USE OF ENTERPRISE CAPITAL ENCOURAGED

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[Article by Yang Jirui [2799 4949 3843]: "How Should Banks and Credit Associations Guide Township Enterprises in the Effective Utilization of Capital?" -- Edited by Pan Shudeng [3382 6615 3397]

[Text] In recent years, town and township enterprises in our country have grown and prospered, displaying great vitality and becoming an important pillar in support of the rural economy. However, we should clearly recognize that if the momentum of the development of town and township enterprises becomes too great, and the scale of their development too large for the financial and material power and credit and loan funds for the localities to cope with, then the situation would be like one of a lone army force penetrating deep into the enemy's territory. In the end, not only would they fail to consolidate their positions or foundations of development but also the entire economic situation would be adversely affected, and the shortage of the means of production, inflation of consumption funds, rise of commodity prices, and loss of control over credits and loans would be aggravated. In turn, this would be injurious to the reform of the economic structure and the smooth operation of the national economy. Hence, it is absolutely necessary and extremely beneficial, to carefully control the scale of town and township enterprises' loans in accordance with the macroeconomic demands of the state.

At present on the macroeconomic side, it is necessary to continue to insist on controlling the scale of town and township enterprises' loans, keeping them within the limits of the state's credit and loan plan. Under the fixed pre-condition of this general theme, on the microeconomic side we should stress the effective use of funds and promote the healthy development of town and township enterprises. Development of town and township enterprises is closely related to the commodity economy, while bank credits and loans represent a form of capital operation at a developed stage of the commodity economy. In the course of commodity production and commodity exchange, it is generally feasible that a portion of capital funds lies idle, and becomes "dead money." This indicates that in the course of reproduction a corresponding amount of material resources has been stockpiled. Turning "dead money" into "live money" through the form of credits and loans signifies that "dead" things have been changed into "living" things and put into production and circulation. If only stringent macroeconomic control is emphasized, and the effective microeconomic use of capital funds is overlooked, the normal development of town and township enterprises production will be impeded. This may even develop into town and township enterprises withering, which in turn will affect the source of credit and loan funds. Following the development of town and township enterprises, it is natural that the amount of certain enterprises' idle funds, and the amount of funds demanded by certain other enterprises, will increase correspondingly. It will then become increasingly important: To merge the funds through credits and loans; to grant loans but insist on their repayment; to have one party borrow funds and another party repay loans; to effect the continuous turnover of funds; and to use a small amount of funds to accomplish many purposes. The viewpoint which states that the less loans made to towns and township enterprises the better is just a reflection of petty rural economy ideology. This is because the production of town and township enterprises is neither self-sufficient production nor is it the repetition of simple reproduction. It is expanded reproduction. The funds they need in production must also come from the support granted by the state in the form of credits and loans, although the main source is their own accumulated funds. Hence, when we stress the need to control the scale of credits and loans, and for tight control of credit and loan funds, we should guard against being excessive or overdoing it. We should integrate stringent macroeconomic control with effective microeconomic use of funds, put limited funds to maximum use and accomplish the objective of "invigorating while tightening control and effective utilization of limited funds."

At present, in the development of town and township enterprises, the most outstanding contradication is the lack or shortage of funds. For example, in Sichuan Province, the town and township enterprises after scaling down the number of capital construction projects, retained some 5,978 projects in which construction had already started. These projects required a total investment of 1.69 billion yuan of which 0.96 billion yuan had to be financed by loans, but only 0.38 billion yuan of loan funds was available. Some town and township enterprises met with difficulties in the turnover of loan funds. Many old enterprises which had shown good economic results found that they were short of the circulating funds they normally needed. Some paper mills lacked funds to buy wheat plant stalks while some silk filatures did not have the money to purchase cocoons. Some enterprises were forced into borrowing money at high interest rates because of the urgent need for funds. Some offered shares in their enterprises to outsiders at low prices. Some resorted to paying high interest rates to induce enterprises and individuals to withdraw deposits from banks and credit associations, in order to provide them with funds.

The principal causes of the lack of shortage of funds in town and township enterprises may be traced to the following: On the one hand, in recent years, town and township enterprises have assumed many undertakings and over-extended their capital construction front; many of them have failed to replenish depleted circulating funds in the course of their development. Their own funds are frequently below the minimum amount required by the banks for the granting of loans. Some enterprises have been relying on bank loans to keep going. Consequently, since the state asserted appropriate control over the scale of credits and loans, certain enterprises have found it difficult to continue operation. Moreover, the management of many enterprises was poor. There were too many outstanding accounts to be collected while large stocks of unmarketable goods were piling up in warehouses. As a result, the limited funds available could not be made to perform their role properly. On the other hand, some localities employed classified methods to control the scale of town and township enterprise loans, such as by using the method of only calling in loans and refusing to grant any new loans.

In my opinion, when controlling the granting of loans to town and township enterprises, we must strive to achieve a suitable degree of latitude, treat the parties concerned differently, support those that should be supported and restrict those that should be restricted. By no means should we take matters lightly or handle matters with a "universal sameness." Town and township enterprises should be classified and given different priorities so that there is an assurance that the major projects will be cared for while attention will also be given to the rank-and-file. Loans should be granted to good and deserving projects.

Town and township enterprises should endeavor to realize the transition from expanded reproduction principally by extension to expanded reproduction principally by intension. Planned new construction projects should each go through the process of a feasibility examination. Those that should start construction should go ahead while those which should be deferred should have their construction deferred. With regard to projects on which construction has started on a small scale, but which require huge investments, are slow in producing results and turn out unmarketable goods, construction should stop or their construction should be reshaped for other purposes. As for projects on which construction has already progressed over half way, which do not require large investments, whose products are marketable, and which can produce good economic results, these should be fully supported so that they may be speedily completed and put into operation. Enterprises which have been basically completed for operation, and which still lack a small amount of circulating funds, should be helped with funds so that they may go into normal production and display their economic effects. With regard to the direction of investments, town and township enterprises should be helped in the following respects: Suiting measures to local conditions; while establishing themselves locally, also catering to internal and external markets; and developing the food and feed processing, aquatics breeding and processing, building materials, and small energy industries. In addition, they should be assisted in developing tertiary industry so as to help overcome the shortage of restaurants, hotels, repair and transport services. We should prevent town and township enterprises from indulging in such practices as using loan funds in lieu of their own funds to expand the investment scale, or using circulating funds to arrange for investments first and following up by seeking bank loans to cover up the circulating funds expended. In the case of town and township enterprises which have incurred serious deficits for a prolonged period and have been relying on bank loans to keep going, the relevant departments should guide them to change to other lines of production, and the banks themselves should promptly call in the loans made to them. At the same time, agricultural banks and credit associations should adopt diversified and flexible methods of granting loans such as developing loans with full guarantee of repayment, loans against security deposits, and so forth.

In guiding town and township enterprises to make good use of funds, banks and credit associations should correctly handle the relationship between service and supervision, and make the enterprises turn their sights inward to seek funds from business operations and management. Banks and credit associations should rectify their past error in granting loans of "stressing granting but overlooking control." They should change from passively granting loans to actively helping town and township enterprises to examine their loan projects, fixing loans on the basis of sales and in accordance with the funds realized from sales, and incorporating an element of supervision in their services so that loans are properly justified. Agricultural banks should station credit personnel in the departments in charge of town and township enterprises, promptly reflect conditions to the relevant departments, and offer suggestions to solve problems. Agricultural banks and credit associations should actively help town and township enterprises to: Tap the potential of funds; improve their operation and management; set up a sound and healthy financial and economic system; and do a good job of profit distribution. We should be careful to fill up the various special funds first before using them. In using them, sufficient leeway must be left and we must always guard against "using funds in advance." From the after-tax profits a definite proportion should be taken out to serve as circulating funds so that eventually the self-provided circulating funds should be over 30 percent of the whole. Agricultural banks and credit associations should assist town and township enterprises to check their assets, reduce their idle funds, handle stagnant and accumulated stocks of goods properly, promptly collect the various kinds of accounts receivable and generally reduce the "sedimentation" of funds.

It is necessary to actively call in irrational loans and loans that have passed their due dates, and enliven, or restore to life, "sedimented" funds. The granting and calling in of loans illustrates the relationship between antithesis and union. Only when there are loans can there be the calling in of loans, and only through calling in loans is it possible to grant further loans.

If loans are rationally granted and the due effects have been attained, then the ground has been laid for calling in loans. Tightly controlling the work of calling in loans and fully calling in loans that should be called in, makes it possible to have sufficient funds in store to do a good job of granting loans in the next round. Hence, granting loans properly is the foundation for calling in loans smoothly and performing the job of calling in loans properly is a precondition to doing a good job in granting loans. For a long period of time in the credit and loan work of town and township enterprises, there has been a general tendency to offer a string of reasons when seeking loans but when it comes to the repayment of loans there seems to be hesitation on all sides. This is incorrect. Banks should: Clearly establish the ability of town and township enterprises to repay loans; know their cash position clearly; and have a concrete idea of the amount of loan repayment, the repayment time and the source of funds for the purpose, so that they may promptly call in loans that are overdue or irrational. This will increase their existing credit and loan funds.

It is necessary to vigorously grasp savings in the rural villages, thus enlarging the source of credit and loan funds. Seen from the viewpoint of long-range development, the major and most basic source of credit and loan funds is in a continuous increase in the amount of deposits. Marx has already pointed out: If small amounts of funds are "joined together to form a big sum, a strong currency force is formed. These activities of joining together small amount of funds are the special role of banking institution."......."from a bank's standpoint, deposits are of the most important significance from beginning to end." (Collected Works of Marx," Vol 25, p 454) Following the development of the rural commodity economy, the potential savings of rural collectives and individuals are continuously increasing. Banks and credit associations should improve their service attitude, increase the categories of savings, vigorously initiate such services as trust deposits, insurance, bills discounting, and so forth, increase and widen their savings network, greatly absorb deposits from individuals and transform consumption funds into accumulation funds. This also represents an important condition in keeping the scale of credits and loans under control, making effective use of funds, and developing town and township enterprises.

Finally, banks and credit associations should actively support and correctly guide fund raising in rural society. Raising funds in rural society is a necessary supplement to the credits and loans of socialist banks. Development of rural fund raising within an appropriate scale is beneficial to the lateral flow of funds in the localities and between the enterprises. It enables town and township enterprises to readjust the direction and scale of their production more flexibly. Raising funds at various levels in the rural villages is an important road to controlling the scale of town and township enterprise loans and easing the stringent state of funds. It is also an important road to converting a portion of the consumption funds into funds for production and construction. Nevertheless, at present the problem which must be mentioned is that, to a certain degree, fund raising in rural society weakens the leverage role of credit and loans, and tends to encourage town and township enterprises to invest blindly and to make redundant investments. Hence, the volume and scale of fund raising in the countryside must be appropriate. Rural banks and credit associations should give correct guidance for the raising of funds in rural society. It is suggested that trust departments of county rural banks take charge of raising relatively large amounts of funds entrusted by the fund raising units. After the trust department of a county rural bank has studied project feasibility, and following approval by the relevant county department, and after the project has been reported to superior bank for reference, share certificates and bonds may be issued to raise funds for use by applicant units. To tally with this, it is necessary to formulate the rules for raising funds, and designate the amount of shares and bonds to be issued, their denomination, repayment or redemption date, rate of interest, dividend payment, as well as provisions relating to the transfer of shares and bonds. In addition, legal protection must be provided. Thus, to meld the social credit form of rural fund raising into bank credit helps to appropriately control the direction of fund raising by town and township enterprises and in controlling fund raising within a definite scope.

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ECONOMIC MANAGEMENT

TOWNSHIP INDUSTRY SEEN CONTRIBUTING TO ECONOMIC DEVELOPMENT

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[Article by Zhou Yaozhong [0719 5069 0022]: Zhu Huaming [2612 5478 2494], and Pan Shui [3382 3055]: "In The Development of Township Industry, Trade Must Be Given Priority" -- edited by Lin Daojun [2651 66670 0689]

[Text] In the last few years, township industry has developed very quickly throughout the nation. In the new situation of reform, opening up and enlivening, everyone is concerned with the problem of how township industry is to move forward and make new contributions to development of the national economy. Here, we will discuss some of our views:

1. The development of township industry will enable the rural areas to break through the self-sufficient of semi-self-sufficient natural economy and enter a new period of large-scale development of commodity production. The 1984 Document No. 1 of the CPC Central Committee pointed out: "The change from a self-sufficient or semi-self-sufficient economy to quite large-scale commodity production is an inevitable course which cannot be bypassed in developing our nation's socialist rural economy." In the past, because of the influence of the "leftist" line and the fetters of traditional concepts, we often saw township industry following a tortuous course. For a long time these economies had been solely agricultural, which violated the objective laws of rural economic devleopment, with the result that in villages normally rich in fish and grain, it was difficult to find fish, in high-production areas poor teams emerged and it was very difficult to change the appearance of the rural areas. In the last few years, with the guidance of the Central Committee's policies, the vast number of peasants have, under the leadership of party committees and governments at various levels, gone through repeated practice, continually explored and charged along the new road on which with one hand they grasp agricultural production, while with the other hand they arrange township industry. They have broken away from the predicament of having a unitary agricultural economy, and taken a new road of comprehensive development of agriculture, sideline products, and industry. This has brought a new situation to the rural economy. In areas where township industry is developing quite quickly, the concept of "three industry" comprehensive operations has been broken through and they have commenced "ten industry" comprehensive development, involving agriculture, forestry, animal-raising, sideline products and fishing, as well as industry, commerce, construction, transport and services. Township industry can, with its own special vigor, play a dynamic role on the wide stage of commodity production.

2. The development of township industry can avoid the serious effects of pernicious inflation which occurs in cities and charge along the new road of transferring surplus rural labor on the spot. China has a population of 1 billion people, 800 million of whom are peasants. Making good arrangements for the peasants is an extremely important matter. Following the continued raising of the level of agricultural modernization, our nation's contradiction of a large population and small amount of arable land has become daily more acute, and the surplus labor in the rural areas has continually increased. What is to be done? There are four avenues from which to choose. 1) Let the peasants go bankrupt and then have them enter the cities to seek a living. This is the painful capitalist road and one we cannot travel. 2) Bundle the peasants onto a small piece of land and let them do their best with it. The experiences of our nation over 30-plus years shows that this road is a dead end. 3) Have the state spend money to shift factories to rural areas. However, the state's funds are restricted and it could not handle this. 4) Motivate the peasants to engage in industry themselves and have them build township industry. Practice has proved that this is the right road to take. On the one hand it allows the state to reduce its responsibilities and thus centralize its strengths for key construction and on the other hand allows the large amounts of surplus labor to leave agriculture but not leave the village, and to enter factories rather than entering the cities. They will happily change their work while remaining in the village and will open up new production avenues and create more material prosperity for society.

3. The development of township industry will change the long-standing aspect of poverty and backwardness in the villages, and open up a new route for enriching the people. In the past, under conditions of a solely agricultural economy, the peasants income fluctuated at a low level, and they could only just stay fed and warm. Since the 3d Plenary Session of the 11th CPC Central Committee and in the wake of the development of township industry, the peasants' income has increased. In the years when there were agricultural calamaties and income was reduced, township industry was especially useful in ensuring that the peasants' income was not affected. Although production decreased, their income did not, and in some cases while production decreased, incomes actually increased. Some of the profits from township industry are employed in "having industry supplement agriculture." They also play an important role in consolidating and strengthening the collective economy, in promoting agricultural and sideline production and and in pushing forward all aspects of construction in the rural areas. If we take Suzhou City as an example, over the last 6 years, township industries have used over 450 million yuan while "having industry supplement agriculture." This was about 30 percent of their total profits. This was over 4 times the amount of state investment in Suzhou City villages over the same period. Within these few years, the amount of tax paid to the state by the township industries grew by about 30 percent annually. This constituted a quarter of the city's financial revenue. In addition, the township industries produced a large number of products which enriched the market supplies and assisted foreign trade exports. In 1984, total sales exceeded 4.7 billion yuan, of which exports constituted 110 million yuan. This was one-seventh of the total foreign trade income of the entire city, and thus increased the state's foreign exchange income.

4. The development of township industry has broken through the traditional division between urban and rural areas and has made useful explorations in reducing the "three major distinctions." In the past, the traditional idea was one of urban industry and rural agriculture, and that economic alliance between urban and rural areas only meant the provision of agricultural sideline products and the supply of industrial products. Since township industry began developing, the divisions between urban and rural areas have been broken down, essential changes in economic relationships have taken place and, apart from the original exchange of industrial and agricultural products, new areas have also been developed. What is especially worth pointing out is that the development of township industry has brought with it prosperity for the small towns, and given the economies of these small towns a vitality and increased vigor. Thus they have become political, economic and cultural centers of the rural areas and bridges for urban-rural ties. Through the development of township industry, there have occurred thorough-going changes in the rural employment structure, family income composition, the peasants' daily habits and spiritual outlook. It has also speeded the pace of social progress. All of these changes have allowed us to see the beginnings of a reduction in the differences between industry and agriculture, between urban and rural areas and between mental and physical labor.

At present, in the situation where urban economic reforms are being deepened, township industry is facing a new transition. On the one hand, it must serve the overall target of realizing a quadrupling of the national economy and make a new contribution to developing urban and rural economies in all areas. On the other hand, under state macroeconomic planned guidance, it must grope for new experiences and establish a new level in order to consolidate and improve itself and in order to guarantee sustained, stable, and coordinated development. In facing the new transition, how is township industry going to accord with the new situation, greet the new tasks, and make new contributions? We believe that the basic issues are liberating our minds, being brave in reform, daring to blaze new trails, unswervingly implementing the principle of "trade-industry-agriculture," placing stress on trade, gearing to the two markets, advancing the three fine cycles and speeding the realization of technological progress. In these ways, we can ensure that township industry is built on a more stable base, that it sees sustained development, is continually improved and gradually forms an industrial entity which has advanced technological equipment and local characteristics and in which industry and agriculture are combined, urban and rural areas are combined and domestic and foreign orientations are combined.

1. Placing Stress on Trade and Gearing to the Two Markets

In the commodity production of township enterprises, it is necessary to stress giving trade priority, to produce in accordance with demand, to use sales to fix production and to use sales to promote production. The township industry of some areas have already produced some fairly strongly competitive products. In the powerful current of large-scale development of commodity production, township industry should bring into play new forces, gear towards both the domestic and international markets and carry out large-scale circulation. On the one hand, it must try to expand its products' coverage and on the other hand must try to combine with urban industry, so that more products break into the international market and export trade is expanded.

While persisting in putting stress on trade and gearing to the two markets, four matters need to be resolved well: 1) There must be keen economic information. As far as township industry is concerned, information is the source of economic development. It is the basis on which enterprises take decisions and must be placed in an important position. In accordance with the demand to develop commodity production, township industry must place stress on thoroughly grasping information on the development of the situation, the changing markets, scientific and technological trends, the need for skilled personnel, commodity circulation and management experiences. We must establish a complete information system. and form a network, use all sorts of channels, transmit speedily, analyze things in a timely way and make correct decisions. 2) We must have products which are truly up to standard. Township industry should grasp raising product quality and improving competitiveness as the major tasks. They must pay attention to both the external appearance of the product as well as the internal quality. They must put efforts into the selection of technology, equipment, enterprise management and even raw materials, raise their level and guarantee that their products are of top quality so that in competition they will have an invincible position. 3) There must be smooth circulation for goods. Township industry must implement circulation which is multi-level, multi-form and multi-channel, and truly realize a situation where both upper levels and lower levels and all sides are linked into a network. In the new situation of opening to the outside world, township industry must put foreign trade on the agenda, seriously study foreign trade and widely research international prices. They must especially become adept at making small batches of diverse types for quick delivery, and put efforts into expanding exports so as to create more foreign exchange for the state. 4) Service must be stressed. They must firmly establish the concept of the user being the most important, and reputation being foremost, regardless of whether profits are big or small, whether batches are large or small, whether sales are brisk or slow, whether it is the busy season or the slow season, whether they are dealing with new customers or old ones. Customers should be solicited through outstanding service and a reputation should be won.

2. Promote the Three Fine Cycles

As far as township industry is concerned, the main point of attack should be the promotion of the three fine cycles of the "three industries" in the rural areas, of urban-rural industry and of export-import.

1. The fine cycle of the "three industries" in the rural areas. In readjusting the rural production structure, we must take the "three industries" of agriculture, sideline products and industry and link them up more closely

in terms of labor, funds and production. We must realize three-dimensional development, multiple processing, repeated increases in value and coordinated development. The present situation is that some work has already been done in connecting labor and funds, but the linking up or production remains a weak area. Large amounts of agricultural and sideline products are still transported to and sold in the cities as new materials. This is especially so of some perishable products. For transport and other reasons, it is difficult to directly transport and sell these products abroad. Thus on the one hand, the peasants do not get greater economic benefits and, on the other, the situation does not accord with the principles of economic rationality. If township industry directly joins domestic and international trade markets and directly joins agricultural and sideline production, it will become the main axle, and this will promote the accordinated economic development of all industries in the rural areas. That is to say, it should in accordance with the needs of export trade and the domestic market, develop foodstuffs and fodder industries and other agriculturaland sideline product processing industries. On the basis of the needs of processing, it should develop plantation and animal-raising industries and a transport industry which accords with it. In this way, it will be possible to enable processed agricultural and sideline products to not only rush through the "fort gates" and charge through the "city gates" but also to smash through "national gates." Thus, the small commodity economy will gradually move toward a structure with a large market and a large commodity economy, and a fine cycle for the overall rural economy will be formed. This fine cycle has already appeared in an embryonic form in Suzhou City. For example, Taican County which produces large amounts of dried meat floss, has, in the development of agricultural and sideline product processing, grasped foodstuffs processing as the breakthrough point. Over the last year, it has set up over 90 foodstuffs factories and initially formed three product series -- convenience foods, nutritional and health foods, and famous local foods. It has also begun to move toward the international market. The preserved vegetables, dehydrated vegetables, canned meat and vegetables, candied meats and vegetables, snap-frozen cold dishes and other products produced by this county's canned foodstuffs factory, are basically all processed from local agricultural and sideline products, and a "chain" of raw materials, processing, storage and transport has already been formed. In 1984, production was over 4,000 tons, over 2,000 tons of which was exported. In 1985, through compensation trade with a Japanese business, production was able to increase to 10,000 tons. The method used in Taichang accords with the demands of "trade-industry-agriculture" and also reflects the trend of development in township industrial development. The prospects are extremely broad.

2. The fine cycle of urban-rural industry. At present, an important trend in our nation's industrial development is that the cities are used as the props. Large, medium, and small industries are being combined, the products are the center, and the backbone enterprises are the key parts. Joint production which is specialized and socialized is being realized and there is mutual promotion and common development. Following the continued

deepening of the reform of the economic system, urban industry must be enlivened and must be developed. However, it is subject to the restrictions of geography and space, and avenues are being sought and an outward orientation developed. Township industry must also obtain support to consolidate, improve, and strengthen itself. This will create greatly beneficial conditions for consolidating the relationship between urban and rural areas and for promoting an even wider joining of larger, medium, and small scale industries. In such a situation, the common task facing urban and rural industry is: They must, in accordance with the principles of economic rationality, take the road of reorganization and combination and change the former situation where everything was "small but complete" or "large and complete." In guiding ideology, it is necessary to firmly establish a concept of combining the urban and rural areas. It is necessary to make overall plans for all sides, divide work rationally, and promote this combination in a guided, planned, and step-by-step way. In policy matters, it is necessary to firmly adhere to the principle of voluntary participation, equality, and mutual benefits. In terms of contents, it is necessary to join up products, techniques, circulation, operations, science and technology and service, as well as the development of resources and the establishment of raw and semi-processed material bases. In this respect, the "two legs" of official and non-government sides must "walk the road together," restrictions between regions, industries, and ownership systems must be broken down and we must realize many forms. These can include joint ventures, technological cooperation, product diffusion and processing, the assembly of parts, compensation trade, linked purchase and sales, the organization of industrial groups and so on. At present, the horizontal alliances between the urban and rural areas are in the ascendant, and are expanding towards a wider area. This tendency will provide a fine cycle between urban and rural industry and push forward the further development of the productive forces.

When resolving the question of joining urban and rural industry, another point we should examine is whether the development of the overall economy can give rise to the following situation: Both urban and rural industries bring into play their own superiorities in terms of "high quality, large (small) batches, precision and accuracy" and in terms of providing "food, clothing, facilities and accommodation," and gradually form a new set-up where there is both alliance and division of work, and where there is mutual permeation, while each has its own focal point. If it is possible for this sort of situation to appear and accord with the objective economic laws, then from now on we must look in this direction when considering arrangements for our work, gradually readjust the product structure, and rationalize industrial deployment. Everything which is suited to being operated in rural areas should be shifted to the rural areas, while in cases where things should be carried out by urban industry, strengths should be centralized, and key points developed. Thereby true economic rationality will be achieved.

3. The fine cycle of exports and imports. Developing foreign trade is an important condition for the large-scale development of commodity production and for promoting economic advance. Doing well in industrial and agricultural

production is the basis for and the result of developing foreign trade. As township industry is a component part of the national economy, it should receive due contributions. It is predicted that if township industry is good at using its own beneficial conditions, making use of its strong points and avoiding its weak points, exploring avenues and increasing product types, it is completely possible for it to take a new position and show new dynamism on the foreign trade front.

In order to achieve a fine import-export cycle, we must proceed from the existing conditions, take expanding exports as the breakthrough point, and take the earning of large amounts of foreign exchange as the goal. Subsequently, in accordance with existing strengths and capabilities, it is necessary to draw in, in a specific, planned and step-by-step way, advanced foreign equipment, advanced technology and funds, increase export capabilities and achieve the repeated cycle of exports earning foreign exchange -- drawing in advanced technology to increase capabilities -- increased exports and increased foreign exchange. In this way, there can be gradual expansion and continual development. If this fine cycle is realized, township industry can greatly progress and will be able to make a greater contribution to developing urban and rural economies.

Speeding up the Realization of Technological Progress

The basic characteristic of township industry is that the peasants run industry and that, in terms of science and technology, there is "an innate insufficiency." The world has already entered a new technological revolution. If township industry's production is not shifted, as quickly as possible, to a new technological base, then there could be a very adverse effect on the course of development. Although township industry in some regions has already advanced on quite a reasonable scale, and has quite a bit of good equipment and a number of good products, the majority of enterprises do things by just using local methods, and making do with whatever is available. "The techniques are close to obsolescence, equipment produces outdated products and the technology is very backward." Thus spreading technological transformation and promoting technological progress have become top priority tasks.

The technological progress of township industry should take the raising of economic benefits as the center and stress the four aspects of equipment transformation, technological planning, the development of intellectual skills and consultancy services. Through these means, it will be possible to achieve the goals of raising product quality, increasing types and varieties, promoting renewal and new generations of products, saving energy, reducing consumption, guaranteeing safe production and improving environmental protection.

The technological progress of township industry must proceed from reality and must be carried out in a planned step-by-step way with points of stress, so as to gradually raise the levels of technology and equipment. In practice, we must pay attention to resolving the following several questions well:

1. Correctly handling the relationship between an advanced nature and a suitable nature. The take-off point for the technological transformation

of township industry must be high and, must as far as possible, adopt domestic and international advanced technology, avoid following in others footsteps, and engage in the two transformations. But, likewise, we cannot divorce ourselves from reality and blindly seek the advanced. In accordance with the arduous tasks of township industry in shouldering the transfer of the surplus labor of the rural areas, the fact that many levels of production technology will continue to exist for quite some time to come, and the small-scale, dispersed nature, operational flexibility and ever-changing products of the enterprises, we must pay attention to promoting the use of efficient practical technology, widely motivate the masses to develop small changes and small inventions, and carry out technological renewal and transformation as far as possible.

2. Improving advanced technology must be done from both within and outside the nation. Our nation already has an industrial base and a certain scale of scientific research units. There is also much advanced equipment and technology. This is the main source of technological progress for township industry, and should be fully utilized. At the same time, it is also necessary to positively draw in internationally advanced technology. In short, what is available domestically should be used first. If something is not available domestically, it can be imported from abroad. In the past, in importing advanced technology, township industry was pushed to the side and it could only "bemoan its smallness in the face of such adversaries." In the last few years, this prohibited area has been breached. Township industry should fully utilize the beneficial conditions of opening to the outside, and stress the bringing into play of the roles of various channels, and through many levels, many channels and many forms, import foreign advanced technology.

3. Expanding great efforts to train skilled personnel. Advanced technology needs people who have a certain scientific and cultural knowledge to control it. In the training of skilled personnel, the township industries must persist in "walking on two legs." In one respect, they must try to draw in various types of skilled technicians and vie for some of the specialized tertiary and middle-school graduates allocated by the state. In another respect, they must positively train their own engineering and technical staff. In the training targets, it is necessary to consider the actual demands of township industries in various respects, and these should take priority in training staff. It is also necessary to proceed from the needs of development and train some young reserve forces. In courses, it is necessary on the one hand to resolve current production problems and on the other hand to lay a base for gradual improvement in future.

4. Widely developing technological consultancy services. If township industry is to realize technological development, there is a pressing need to resolve the problems of sources and channels for advanced technology. This requires that urban industry, tertiary specialized institutes, and scientific research units take the initiative in various aspects to supply township industry with information, act as intermediaries clear circulation channels and develop consultancy services. Township industry itself must positively create conditions and gradually establish a consultative service system to facilitate wider relationships, link up information, and provide good service.

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JOURNAL DISCUSSES RURAL JOINT-STOCK ENTERPRISES

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[Article by Zhao Tianzhen [6392 1131 2182]: "The Joint-stock Enterprise -- a New Rural Cooperative System" -- edited by Liu Qichang [0491 0366 2490] -- passages within slantlines published in boldface]

[Text] A new form of economy -- the joint-stock enterprises -- has emerged in our rural reform. Its great momentum and vitality have aroused universal interest. It reflects a trend and raises many new questions related to the establishment of a rural economic system with Chinese characteristics which are worth attaching importance to and doing research into.

For more than a year cooperative enterprises set up by our peasants on the basis of voluntary participation have quickly emerged in our country's vast rural areas. [illegible] have mushroomed with great vitality and have very soon become an important factor in giving impetus to the development of our rural economy, in particular to the vigorous development of our township and town enterprises, and have displayed their inestimable great role. According [word indistinct] Shaanxi Province, the number of township and town enterprises in the province rose from 36,000 in 1983 to 143,000 in 1985. Among these enterprises, more than 95,000 were cooperative and family enterprises. (Owing to the limited resources in labor, funds, and technology, only small number of these enterprises were family enterprises in the proper sense, and most of them were enterprises mainly operated by one family with the cooperation of the families of friends and relatives; therefore, we regard these family enterprises as cooperative enterprises. This is also the case below.) The income of the township and town enterprises in our province totaled 2.5 billion yuan in 1984, of which 520 million yuan was income of cooperative enterprises (the total income of family enterprises was only 100-odd million yuan), accounting for 44 percent of the increase in income. These cooperative enterprises employed over 600,000 people all over the province, accounting for 40 percent of the total number of staff and workers of the province's township and town enterprises. Compared with the old collective enterprises run by villages, the rising cooperative enterprises developed at an amazingly quick pace, had relatively high economic results, and enjoyed high prestige in our peasants' hearts.

In essence, a Cooperative Enterprise is a Joint-stock Economic Unit

The cooperatives that have emerged in our rural areas at present vary in form, but careful observation reveals that in essence, most of them are joint-stock economic units. Despite the fact that these cooperative enterprises are at the initial stage of their development and vary in form, there is much evidences that they are cooperative economic units with joint-stock capital as their core. These joint-stock enterprises have the following clear-cut characteristics:

1. The structure of their ownership is diversified. Our cooperative enterprises differ from the uniform economy owned by the whole people or the uniform economy of collective ownership, being a complex economy comprising diverse economic factors. In this sense, they are a broader concept. What do the kinds of ownership of the cooperative enterprises that have now emerged in our rural areas consist of? First, there are enterprises which are joint-stock joint ventures among our peasants on the basis of family enterprises and specialized households. When our specialized households and family enterprises develop to some extent, their productive forces inevitably demand a transition toward the socialization of production. Within the bounds of possibility in our rural areas, joint-stock joint ventures among our peasants first emerged. These cooperative enterprises, which are joint ventures of the family economy, are the main trend in our rural areas at present. Our statistics show that they account for over 60 percent. Second, there are joint-stock joint ventures between peasants and collectives, including the joint ventures between peasant households and brigades (administrative villages), production teams (natural villages or groups) or small handicraft, commercial, or service firms in towns. These enterprises account for about 20 percent. Third, there are joint-stock joint ventures among individual traders, collective firms, state-owned enterprises, and foreign businessmen, including those between peasants and state-owned industrial or commercial enterprises, or scientific research institutes, or Hong Kong or foreign businessmen. They also account for about 20 percent.

2. Diversified combinations of production factors. Another characteristic of rural cooperative enterprises is the organic combination of various kinds of production factors. This can give rise relatively quickly to productive forces. The combinations can be roughly classified as follows:

a. Technology-labor combination: Those who have plenty of labor but lack technology invite scientific research units, large factories, mines, colleges, or universities to take shares in their enterprises by providing technology. This combination of science and technology with the most vigorous factor -- labor -- is our peasants' most urgent demand in developing industry; therefore, it is a widespread combination. Most of this is carried out between our urban and rural areas.

b. Funds-materials combination: This kind of enterprise has mainly emerged in the areas with rich natural resources. Because of a shortage of fund, shares subscription is invited from among the community to raise funds for the establishment of cooperative enterprises. This is also a kind of cooperative enterprise that is in brisk operation in our rural areas. Comparatively speaking, this is mainly a combination between developed and developing areas.

c. Combinations of various factors, including combinations of many kinds of factors such as land, factory buildings, equipment, raw materials, funds, and labor. As this kind of combination can select cooperating share-holders in light of the demands of development, it is very flexible and universally applicable.

3. The methods of distribution are diversified. The combination of diverse economies and factors determines the diversification in the methods of distribution of the cooperative enterprises, which can be summed up as follows:

a. Floating distribution system: This consists of two floating distribution systems related respectively to laborers' remuneration and shareholders' dividends. In other words: a) all those who work in the factory, shareholders or nonshareholders, are paid floating wages in accordance with the amount and quality of their labor, and all the wages are regarded as costs; and b) when the final accounts are made at year end, the balance of the profit, after deduction of inanimate and animate labor, tax payments to the state, and adequate transference to reserves for accumulation, should all be distributed as dividends. Some of the joint stock enterprises have relatively large amounts of funds for dividend payments and they use part of the money to pay a bonus to staff and workers for their labor contributions. This method first ensures the labor income of the laborers, then enables laborers to get a bonus when the net profit is relatively large, and also takes into account shareholders' interests; therefore, it has been well-received and enabled us to run the enterprises satisfactorily.

b. Fixed dividend system: The dividend for the share issued for the acquisition of funds, technology, and materials is fixed (generally unchanged for 3 years). Before year end, laborers can get prepayments of their wages. At year end, the enterprise carries out profit delivery and transference to reserves and pays the fixed amount of dividend, and then distributes the balance of the profits among the laborers as their wages (called dividends for labor). The greatest advantage of this method is that it embodies the principle of more pay for more labor; therefore, it is most commonly used.

c. Equal distribution system: This system is mainly implemented in some small cooperative enterprises where shareholders contribute equal amounts of funds and labor, have an equal share subscription, and share profits equally. As the scale is small, the results of management and profit-earning can easily be seen; therefore, this method is also adopted by our peasants.

From our on-the-spot investigation, we can also see that most of the rising cooperative enterprises in our rural areas have the following five common characteristics: a) they commonly adopt the board system and have formulated articles of association for their enterprises; b) the funds, equipment, and materials contributed by the shareholders are not rented or loaned to the enterprise but are given to the enterprise as long-term share capital; c) the enterprises are under a shareholder ownership system, the major power over the enterprises being in the hands of the shareholders meetings rather than any other department; d) there is distribution of bonuses and share dividends in addition to distribution according to labor in all these enterprises; and

e) shareholders are masters of the enterprises, sharing the economic responsibility for the enterprise, enjoying the fruits of their operation, and suffering their losses; therefore, the shareholders share weal and woe with the enterprises. From the above we can see that most of the cooperative enterprises that have so far emerged in our rural areas are in essence a kind of joint-stock economic unit, though at the initial stage.

The cooperative enterprises that have vigorously emerged under the new situation are an outcome of the party's new rural policies and also what the development of our rural commodity economy inevitably requires. The magnificent trend of development of this new emergence, in spite of the short period of time of only a year, proves these enterprises' great vitality. This is shown in the following:

Three negations: The emergence of the cooperative enterprises means a negation of fixed patterns and concepts. First, it negates the system of "integrating government administration with commune management" and enables rural enterprises to really become economic entities over which the peasants have decision making power. Under the prolonged influence of the idea of "integrating government administration with commune management," enterprises then set up by our peasants were turned into enterprises of the village government organs and power over the management policy decisions, labor and personnel, and distribution of profits was in the hands of a small number of village cadres. These "official enterprises" run by administrative means were divorced from the masses of people because the latter had no power to participate in the former's management and seldom benefited from the former. This hindered the survival and development of the enterprises. In our cooperative enterprises the above-mentioned system is entirely abolished. These enterprises are led by their shareholders' congresses and boards. Under the precondition of observing the state's decrees and policies, they have the right as legal persons to operate independently. Second, the old pattern of "three-level ownership" and the closed pattern is switched to the open pattern. For many years, the principle of "three-level ownership with the production teams as the basic accounting units" fettered our township and town enterprises and the enterprises that were joint ventures of cooperation among our peasants were discriminated against. It was not until the eve of the 3d Plenary Session of the 11th CPC Central Committee that these enterprises were included in the figures for our township and town enterprises in our statistical records. The collective enterprises that were established on the basis of the principle of "three-level ownership" in fact formed a closed economy of local ownership. It was very difficult for them to be geared to the needs of society or to develop lateral relations. In a precisely reverse way, the cooperative enterprises are not bound by any regional, departmental, or trade restrictions and can develop joint-stock cooperation with local peasants or any relevant unit or individual at home or abroad outside their region, department, or trade. Third, the "monism" in our distribution is negated. Under the precondition of persisting in maintaining the dominant position of distribution according to labor, dividends are paid to shareholders. In the past, our township and town enterprises could only use "work points: as the yardstick for their distribution according to labor, and people were only allowed to contribute labor to the enterprises; therefore, when the enterprises wanted funds, they could not help but resort to borrowing. In fact, inanimate labor is indispensable for an enterprise, as well as animate labor.

In the initial period of the establishment of a township or town enterprise, the state invests no funds in it and only provides it with limited loans; therefore, it has a great shortage of funds and cannot start many of the projects that it wants to carry out. This directly hinders its development. The cooperative enterprises mainly carry out distribution according to labor and also pay some dividends to the share holders who have contributed materials, equipment, and funds. In this way, our township and town enterprises are provided with both the "personal" and the "material" factors to promote their rapid development.

Two "combinations of three": A cooperative enterprise is set up and managed by peasants themselves. The members of the shareholding families contribute labor to (or employ workers to work in) the enterprise. The close combination of owners, managers, and laborers embodies the unity of ownership, power of management, and direct participation in the labor. The shareholders in a cooperative enterprise have invested their own money in the enterprise, and make decisions and carry out distribution on their own. This combines responsibility, power, and interests, and embodies the identity between the ownership relation to means of production and the distribution relations to products. As a result, the peasants are concerned about their enterprises, are enthusiastic, and have no worries about their enterprise, and the enterprise is filled with vitality.

Accommodation of funds: Our cooperative enterprises play a unique role in being able to attract and accommodate funds in a wide manner. Investing one's funds in these enterprises can produce dividends and bonuses and is also conducive to solving the problems related to our enterprises' funds. Acquiring shares by contributing means of production is conducive to overcoming shortages of raw materials and equipment for the enterprises' production. Non only individuals, but also state-owned enterprises, collective enterprises, or foreign or Hong Kong businessmen can be shareholders in these enterprises. People can also contribute capital and labor or labor alone to acquire shares. In short, the forms are flexible and the enterprises can establish relations far and wide. This can relatively satisfactorily ease the shortage of funds for these enterprises and enable them to develop on their own without relying on state loans.

Transformation: This means that the development of our cooperative enterprises transforms science and technology into productive forces. When peasants switch from traditional industries to new industries in developing industry, the greatest difficulty for them is the shortage of science and technology. In the beginning they purchased technology and patents and paid dearly for technological advice. Now they have become more clever. They find technological backing through inviting scientific research institutes, colleges. universities, and factories to acquire shares by contributing technology which becomes along-term investment in shares and for which dividends are paid. By so doing, they have switched from purchasing technological services once for all into establishing permanent technological cooperation, and thus linking the fruits or research of our scientific research units with economic results. On the one hand, our rural enterprises are thus provided with advanced technology and equipment and have better technology to ensure their product quality; on the other hand, scientific research has thus been combined with production, so that our urban scientific research undertakings can play a very useful role in our rural areas. At present, most of the satisfactorily run township and town enterprises have relied on this method for their development.

Higher economic results: This means that the economic results of our cooperative enterprises are relatively high. At present, the joint-stock cooperative enterprises that have developed in our rural areas are clearly characterized by their small size. There are many advantages related to small size, because they are easy to set up, administer, and manage. It is easy to set up many of them and then to enlarge them. A small enterprise needs little investment and loans, occupies less land, employs few nonproduction staff, and can thus have greater economic results with less expense. A small enterprise can flexibly change its production orientation and it is easy for it to specialize. Much data gained from our investigations has proved that compared with rural collective enterprises, the cooperative enterprises set up by our peasants have the advantage of "getting double economic results with the same investment." Therefore, it is justified for some people to think that collective enterprises have greater vitality than state-owned ones, and that cooperative enterprises have greater vitality than collective ones. Our cooperative enterprises not only have higher economic results, but are more diversified in their trades. In economically underdeveloped areas, they have particularly great advantages and vitality, being easy to set up and quick to develop.

New Problems Requiring Urgent Solution

The joint-stock economic sector that first emerged in our rural areas is a major sector in the sphere of township and town enterprises. However, there is also diversified development of joint-stock enterprises in other spheres. joint-stock enterprises that combine agriculture, forestry, and animal husbandry, and in particular those combining agriculture and commerce, have continued to emerge. Joint-stock cooperation has also emerged in our financial sector. This is a heartening new situation, but has also given rise to some new problems that urgently require us to unify our understanding of them, study them, and solve them. At present, priority should be given to solving the following three problems:

1. It is necessary to clarify theoretically the nature of our cooperative enterprises. At present, new things are merging in an endless stream in our rural areas; therefore, people's understanding often lags behind the development of the situation and they have various worries about the emergence of various kinds of joint-stock economic entities. Some people think that as these entities include some capitalist factors, they are not socialist units. Others think that they are "joint state-private" economic entities. Still others think that there is "exploitation" in these entities. In short,

people's views vary in many ways. However, facts have proved that this new economic form has already played, and is playing a tremendous role in developing our commodity economy and productive forces. what, after all, is the nature of the joint-stock economy that consists of combinations of diverse economic factors, diverse production factors, and diverse forms of distribution? It is impossible for us to answer this question within the scope of our previous fixed concepts, and it is imperative to do theoretical research in order to give a clear answer and in order to give impetus to even more vigorous development of this sector.

2. Clearer policies are necessary. The methods of calculating the value of the technology, materials, and equipment which are contributed to acquire shares should be made more rational and scientific, and so should the forms of share subscription and distribution. But the existing methods and forms are easy for people to accept and so far there have not been many disputes about them. At present the most prominent problem is that people differ in their views on, and have doubts about, the acquisition of shares by contributing funds and the paying of bonuses and dividends. The CPC Central Committee's Document No 1 of 1983 points out that "distribution according to labor is the main form and at the same time there is a certain proportion of share dividends." We have to clarify the meaning of the word "certain." The actual problem now is that generally, people do not oppose the payment of some bonus and dividends at a rate a little higher than bank interest rate to those who have contributed small amounts of funds to acquire shares. However, in regard to shareholders who have contributed large amounts of funds and who are paid relatively large proportions of dividends. People have the opinion that the dividend is "exploitation" of a portion of the laborers' surplus labor. Therefore, some specialized and rich households and even some state--owned enterprises dare not freely subscribe to shares even if they have funds. They would rather put their cash in banks or in their own safes than invest it in production. At the same time, the peasants in our rural areas, particularly in poor areas, have natural and labor resources, want to set up enterprises, and are keen to become rich, but they lack funds to do so. This has given rise to a shortage of funds in some areas and idle surplus funds in others. At present, the state is exercising credit control, but there is money lying idle in the hands of some people in our urban and rural areas. If we can draw up some more specific and clear policies, it will be possible to use these idle funds in order to better develop our productive forces.

3. It is necessary to formulate a joint-stock enterprise law. Having given, a clear answer by our theory and policies, to the question regarding the nature of our cooperative enterprises, we should formulate corresponding laws and regulations, including those related to issuance of shares, share certificates, administrative organs, and the stock market, and thus guide the healthy development of our joint-stock enterprises toward the socialist orientation. At present, some rural cooperative enterprises have already issued shares, but as they lack experience and have no laws or regulations to follow,they are not clear about many matters and there is a confusion in their practice.

Our cooperative enterprises have already displayed their great vitality in developing rural commodity production and exchange. The tide is rising with a vengeance and there should be no delay in carrying out research and probing into this new emergence.

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ECONOMIC MANAGEMENT

PRC JOURNAL ON FRG FACTORY MANAGER'S REFORMS

Reforms Enumerated

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[Article by Fang Bi [5364 3880]: "Firmly Grasping Coordinated Reforms Both Within and Outside an Enterprise is the Only Way to Stimulate the Enterprise" -- edited by Xu Xiaojiu [1776 1420 3773]

[Text] The Wuhan diesel engine factory is a medium-size agricultural machinery enterprise with a history of 30 years and a current staff of over 1,800 persons. In 1957, this factory test-manufactured our nation's first hand-held tractor and received praise and encouragement from Chairman Mao. In 1965, the factory achieved an annual production capacity of 10,000 model-195 diesel engines, and was assessed a national advanced enterprise. The 10 years of disorder resulted in the ideology of staff members and workers at the Wuhan diesel engine factory becoming confused, management became slack, basic work was weak and product quality declined for a long time. During the reorganization of the enterprise, as a means of enlivening itself, the Wuhan diesel engine factory made a report to the city government requesting permission to employ a foreign expert to assist in designing a "direct jet blast chamber" of international advanced standards. The request received the city government's attention and concern.

In 1983, when the head of the West German retired experts service office came to Wuhan to observe and study, he made an inspection of the Wuhan diesel engine factory. He felt that the factory first needed strengthened management and improved technology, the carrying out of a certain amount of peliminary work and, once results were achieved in this, some further planning work. In accordance with a consultance contract, Mr. Werner Gerich arrived at the Wuhan diesel engine factory in September 1984. Gerich, who is 65 years-old, is a West German engine manufacturer and iron stem [tie rui 6993 5605] technology expert. Since the 1940's, he has spent many years in both West Germany and Egypt managing various factories and has rich management and technological experience. During Gerich's period of consultancy at the Wuhan diesel engine factory, he showed deep sympathy for the problems of the plant, such as the problems of management not grasping the main points, the sluggish workstyle, and the great [?]. He successively put forward 52 suggestions for renovation and reform, and repeatedly suggested that if they let him become the manager of the factory, through strengthening management, he could extend the use-life of their diesel engines from 3,000 hours to 10,000 hours, and could get them into the international market. The wide masses of workers, looking at the way he worked, also successively advised the leaders that they hoped that Mr Gerich would be appointed a factory manager.

The city party committee leaders knew that although West Germany was a capitalist country, its management technology was advanced. They felt that advanced scientific technology and management experiences are the crystallization of the wisdom of all mankind, and are the commonwealth of mankind, and thus we should study them and use them for reference. In implementing the Central Committee's policy of opening to the outside world, we must make sure of both foreign material and technological sources and bravely use foreign personnel sources. In order to promote the comprehensive structural reform of the whole city, the city party committee bravely decided to give it a try, and requested the city government to approve the report of the city machine-building bureau on the proposal put forward by the staff and workers' congress of the Wuhan diesel engine factory requesting the appointment of Gerich as factory manager. Accordingly, on 1 November 1984, the city machine-building bureau officially employed Gerich as the factory manager of the Wuhan diesel engine factory. At the same time, the city party committee decided that the factory would be a trial unit for the implementation of the factory director responsibility system, and gave Gerich all due powers of a factory manager. In order to strengthen leadership over the experimental work in the Wuhan diesel engine factory, continually sum up experiences, and promote the comprehensive reform of the whole city's economic structure, the city party committee sent a "guidance group," led by a member of the standing committee of the city party committee and comprised of major leaders of the city discipline inspection commission, the city economic commission, the city federation of industry and the city bureau of machine-building, to promote concrete guidance and assistance for the Wuhan diesel engine factory in carrying out the experimental reforms.

The guidance group, on the basis of providing guidance to the leadership, not replacing it, and the principles of combining study and blazing new trails and of blazing new trails through study, tighly centered around studying the experiences of the expert inputting order into the factory, putting effort into stimulating the enterprise and in exploring roads for reforming the eocnomic structure, and did well in the work of overall planning, coordination, supervision, and service. Over the last year, the guidance group has done a large amount of work which can be summed up in two points:

1. Guiding the Wuhan Diesel Engine Factory in Coordinated Reform Within the Factory

Before Gerich took up his post, he acquainted himself with the factory director responsibility system provisional regulations and the factory director responsibility system, and earnestly made two requests to the city machine-building bureau: First, that he truly have the power to fire workers as well as the right to employ or discharge cadres; second, that he truly have the power to encourage the staff and workers through the implementation of distribution according to work. The guidance group felt that these two points are the key issues in the implementation of the factory director responsibility system and thus they not only expressed support but, in order to allow him to go all out in being a good factory manager, also guided the Wuhan diesel engine factory in carrying out a series of coordinated reforms within the enterprise.

In the area of correcting operational ideology. In order to change the original concept in the factory of stressing output quantity and looking lightly at quality, Gerich established the concept of quality first. After taking up his post, he took the readjustment of quality as the breakthrough point and firmly corrected the operational ideology of the cadres. That was at the end of 1984 and 23 percent of the production tasks for the year were still to be completed. Some of the cadres were very worried about this, for if the production plans were not completed, it would directly affect the economic interests of the staff and workers. Thus they felt that it was not opportune for Gerich to be reorganizing quality. At this time, the guidance group positively coordinated with Gerich's work, causing everyone to understnad that reorganizing operational ideology was a major matter in putting the factory in order, that small matters should not be able to obscure major matters, and that only if the enterprise developed would the interests of the staff and workers be guaranteed. As the understanding of cadres at various levels and staff and workers was unified, the production tasks were also completed on schedule while quality was reorganized.

In the area of ideological and political work. After Gerich took up his post, some people kept their distance from him as they felt that he was too strict in his requirements and did not pay attention to people's feelings. Also, the political work cadres felt that since the foreign factory manager had come, political work had not been done well. When Gerich first came, he did not really understand our ideological and political work and thus he only paid attention to administrative management. In respect of this situation, the guidance group organized, on three occasions, study for party and political work cadres, to further eliminate worn-out "leftist" ideas and to study the characteristics of political work after the implementation of the factory director responsibility system. Through study everyone came to understand that with a foreign factory manager engaged in strictly putting order into the factory, the ideology of the staff and workers would be more dynamic. Thus the ideological and political tasks would not be fewer, but greater and more complicated. Thus the party committee had to transfer the focus of work to doing well in party building and doing well in ideological and political work. In order to further research the characteristics of ideological and political work after the implementation of the factory director responsibility system, the factory's political work department organized an ideological work exploration group. Every day, this group sent cadres to follow Manager Gerich in going deep into the workshops, to master the contents and characteristics of his work and the ideological trends and the workers reactions to this work. In this way, good workers and good actions could be praised when required and the existing problems could be discovered. The guidance group also compiled excerpts of what the Central Committee leading cadres had said on drawing on the intellect and on Gerich's putting order into the factory and his methods in this. These were used to provide the staff and workers with education in patriotism and ideals. The guidance group pointed out that ideological and political work should provide three guarantees: raising ideological understanding and changing passivity to initiative so as to guarantee that the manager's orders are smoothly implemented: doing well in clearing work and changing negative factors into positive factors so as to guarantee the stability and unity of the whole factory; and going deep into the grassroots and changing the situation whereby political and economic work are completely separate to where they are tightly combined, so as to guarantee the completion of all tasks. As ideological and political work has developed it has caused the staff and workers of the whole factory to further become aware of the great importance of the policy of opening to the outside world and of implementing the factory director responsibility system. Thus, they actively participated in the various reforms within the factory. This also caused Gerich to recognize the power of our ideological and political work. After a time, he took the initiative to discuss work with the party committee secretary and the staff and workers' congress chairman, voluntarily participated in the staff and workers' congress and requested staff and workers representatives to examine his work report.

In terms of the personnel system. Gerich believed that the standard for employing administrative cadres should not be whether they had made mistakes or not, but whether or not they could do their work. During the work of reorganizing quality, when Gerich discovered that the general engineer, a university graduate, was not competent in his job, he very firmly required his dismissal and the appointment of a comrade who was a graduate of a vocational middle-school, in his place. In order to guarantee the factory manager's personnel powers, the guidance group proposed to the relevant departments that management power in respect of deputy-manager level cadres be handed down to the factory and that the middle-level cadres in the administrative system be all directly appointed by the factory manager.

In terms of the enterprise management system. Gerich felt that the large number of offices and sections within the factory were not coordinated. In order to assist production operations and raise the work efficiency of the various functional departments, he planned three lines: the sales departments line; the production technology departments line; and the quality inspection line. In accordance with his proposal, the guidance group made a preliminary adjustment of the structure and established a technology and product blueprint revision office and a rationalization suggestions and technological improvement office. The quality inspection section and technology section, which were originally managed by the general engineer, were put directly under the leadership of the factory director.

In terms of the distribution system. Gerich required the reform of the wage system and the rewards system, and the reform of the original wage structure. The guidance group supported his reform requirements and also continued to take our national conditions into consideration. With him, they studied a plan for a structured wage system. This plan adopted an inverse seniority-merit wage system, in which the base pay becomes smaller as the seniority gets higher and therefore the distance from the optimal working age becomes greater. After this plan was instituted, while the wage base of the whole of the factory did not change, the Wuhan diesel engine factory could at set periods and in accordance with how well workers worked, adjust the wage scales up or down.

2. Through Doing Well in Coordinated Service, Promoting External Reform

In order to change the situation of enterprises being appendages of state organs and to create fine external conditions for the enterprises, the guidance group, through doing well in external coordination and service work, paid attention in their work to exploring avenues for arranging coordinated reform of the leadership organs and comprehensive economic departments.

After Gerich took up his post, the leading comrades of the city machine-building bureau and city economic committee proceeded from grasping basic work and further recognized the influence of enterprise quality on the production operations of the enterprise. Thus, they carried out an overall investigation of the equipment situation at the Wuhan diesel engine factory and discovered that there were 589 pieces of equipment valued individually at over 800 yuan in this factory, of which 36.6 percent had been purchased in the 1960's, 42 percent had been purchased in the 1970's, and only 4 percent had been purchased in the early 1980's. They held that although Gerich had strengthened management in the Wuhan diesel engine factory, because of the restrictions imposed by the equipment, the degree to which product quality could be improved was limited, and thus there was an urgent need to carry out technological transformation in the Wuhan diesel engine factory. However, putting themselves in the position of the factory and considering things, they realized that at the time there were many difficulties in the enterprise carrying out technical transformation. These problems were mainly centered on there being too few funds and too many examination and approval procedures. Thus, they requested the relevant comprehensive departments to carry out a collective check-up in respect of the Wuhan diesel engine factory, and change individual visits to collective service calls. They also arranged for timely resolution of the problem faced by the Wuhan diesel engine factory in respect of technological transformation funds. Gerich was extremely happy about this. Afterwards, the city government cadres and relevant comprehensive departments adopted on-the-spot work and visiting service methods for a number of important factories subordinate to the city. This received highly favorable comments from the enterprises.

The Wuhan branch of the Industrial and Commercial Bank also went deep into the Wuhan diesel engine factory and discussed wtih the comrades in the factory how to bring into play the regulatory role of economic levers so as provide conditions for stimulating the Wuhan diesel engine factory. The bank carried out several reforms in terms of floating funds credit, technical transformation and equipment credit, as well as in cash management, simplified procedures as far as possible and acted flexibly, harmoniously, rationally, and in a timely way. This was intended to show the Wuhan diesel engine factory that the bank's financial management was both strict and flexible and to promote the reform of the enterprise and the development of production. The relevant offices spread these new management methods and used them for 26 state-owned enterprises under the region, and this was widely acclaimed by the enterprises.

In terms of prices. The leaders of the city pricing bureau personally held an on-the-spot work meeting at the Wuhan diesel engine factory. The city metals corporation and the Wuhan diesel engine factory signed a supply contract and clearly set down the economic responsibilities of both sides. This guaranteed quality and quantity and service calls. In 1985, this corporation also signed service supply contracts with three relatively large engineering operations in Wuhan City. This was also well-received by the users.

Also, the underground pipe system of the Wuhan diesel engine factory was laid 20 years ago and was unsuited to the demands of the enterprise's production development. Previously, transformation plans had been put forward many times, but each time they were just discussed without being implemented. The city government environmental sanitation department had long put off resolving this problem. In May 1985, following 2 days of heavy rain, there were 2 feet of water within the factory. This forced the factory to shut down production for 2 days which reduced production by close to 1,000 diesel engines. Gerich burned with impatience. When the comrades at the city government heard of this, they organized relevant departments to hold a work meeting at the factory. In only 10 days the problem which had lain unsolved for many years was fixed. The city government environmental sanitation bureau at Qiaokou came to deeply realize, through this matter, that whether the city government's work is done well or poorly directly affects the enterprise's production and the lives of the people. In order to improve work efficiency and quality, internally they set up a small accounting unit to strengthen accountability and motivate the workers' enthusiasm. Externally, they were positive in service, thought about what the enterprises thought about, and were anxious about things the people were anxious about. In the last half of 1985, three of the projects they were responsible for were commanded.

To sum up, in order to enable Gerich to exercise his powers as factory manager and to carry out his work in smoothly developing the Wuhan diesel engine factory, the guidance group carried out various coordination and service work. Each time Gerich encountered restrictions from any side, or when he was obstructed in exercising his powers as factory manager, the guidance group cleared away the obstacles for him. Whenever, in raising the quality of the Wuhan diesel engine factory or improving product quality, he required external or regular objective conditions which involved other departments, the guidance group on the basis of the "strike reflex" principle, encouraged the relevant departments to carry out the appropriate reforms, to enliven the Wuhan diesel engine factory, to enliven large and medium-size enterprises, and at the same time, to link this up with comprehensive city-wide reforms.

The decision on the reform of the economic structure taken by the 3d Plenary Session of the 11th CPC Central Committee [as published] clearly pointed out that increasing the vigor of enterprises is the key link in the overall reform of the economic structure, with the urban areas as the focus. How, then, is the vigor of enterprises to be increased? It can be said that the work experiences of the guidance group sent to the Wuhan diesel engine factory by the Wuhan City CPC Committee give us new inspiration, that is, that we should grasp coordinated reforms both within and outside the enterprises.

Successes Seen as Model

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[Article by Qin Zhong [0530 1813]: "How Did Gerich Put the Wuhan Diesel Engine Factory In Order?"--Edited by Xu Xiaojiu [1776 1420 3773]

[Text] On 1 November 1984, West German expert Mr Werner Gerich took up his position as factory manager on the Wuhan Diesel Engine Factory. Over the last year-plus, because his work style has been strict, he has delved deep into matters, been diligent and acquired a good knowledge of the industry. Consequently, he has been able to run the factory very ably. Not only has he caused the Wuhan Diesel Engine Factory's economic results to be raised by a great degree, but the spiritual mien of the staff and workers has also seen some very obvious changes. The output value in November and December 1984 was 23 percent of the year's plan, while profits realized were 67.3 percent of the year's planned total. The production volume from January to November 1985 grew 14.9 percent over the same period the previous year, while above-quota profits grew 61.4 percent. Product quality was comparable with the best ever achieved in the factory. The total rate of casting rejects dropped from 32.72 percent to 12.44 percent. The up-to-standard rate for first-time test-runs sent for inspection rose from 80 percent to 95.5 percent. The up-to-standard rate for the performance of component parts of the engine reached 95.81 percent, and the up-to-standard rate for key component reached 100 percent. Of this: the degree of clearliness reached 48.3 milligrams (ministry standard: 165 milligrams) and consumption per horsepower-hour of oil was 1.46 grams (ministry standard: 1.7 grams) and of diesel 182 grams (ministry standard: 185 grams).

Gerich set about putting the Wuhan Diesel Engine Factory in order by doing the following:

1. Correcting the Operational Ideology of Leading Cadres, Being Strict in Technological Discipline and Earnestly Establishing the Concept of Quality First

In 1984, Gerich discovered, through 2 months of consultations, the major reason for the poor quality of products. It was not that the technical level was low or equipment conditions poor, but rather the inappropriate relationship between production volume and quality as it had been arranged by the factory leaders. The factory leaders had their eyes only on production volume and quality as it had been arranged by the factory leaders. The factory leaders had their eyes only on production volume and felt that as the diesel engines were agricultural machinery, and would be used in water and mud, it did not matter if the quality was a little poor. Because they overlooked product quality, administration of the factory was not rigorous, management was lax, and the technological discipline of the workers was poor. Gerich zeroed in on this major contradiction which had been affecting the development of the enterprise and proceeded on the basis of the actual situation at the Wuhan Diesel Engine Factory. He did not simply copy current modern management methods used in West German enterprises. Rather, he took overall product quality as the point of departure and put firm efforts into strengthening the basic work of the enterprise.

He first corrected the operational ideas of the enterprise leaders, reorganized technological discipline, and helped the staff and workers of the whole factory establish the concept of quality first. On the fourth day in his post as factory director, he discovered at the work-site 146 water tanks with holes blindly drilled. Through investigation, it was found that the holes, for clamping screws, had not been drilled according to blueprints. He sternly pointed out that this would result in the clamping screws mistapping, which would make it hard for the peasants to carry out repairs in the future. He demanded that they be immediately reworked. However, the examiners felt that this was not a major technical problem. The person in charge had advocated handling it by just smearing on a bit of quick-drying glue. Gerich also examined the products going into storage and found that 108 engines all had the same problem. he immediately required that these products be completely reworked. At the same time, he traced and affixed responsibility and conducted for the entire factory an education session on quality. He pointed out: quality and quantity are not contradictory. Only if quality is high can waste be reduced and quantity raised. Production without quality is blind production. An enterprise without quality will have no business avenues, the country will not be able to prosper, and there will be no progress. Secondly, he analyzed why the quality of the Wuhan Diesel Engine Factory products had for a long period not improved, and proposed methods for resolving the problems. He stressed that if quality was to be improved, technological discipline had to be rectified.

To achieve this, the enterprise's technology would be equivalent to the law and if the workers did not seriously adhere to technology in their work, they would have broken the law. He said the reason the product quality of the Wuhan Diesel Engine Factory had not risen for a long time was that the product standards of the factory were low. In this matter, the head of the investigation section was to blame and the chief engineer responsible for inspection techniques and technology had neglected his duty. He decided to remove them from their posts. The chief engineer was sent out of the factory and was employed as an ordinary engineer, while the head of the investigation section was demoted to a parts inspector outside the plant. In addition, those inspectors on duty and the workers involved in the direct drilling of the screw holes were treated appropriately. Gerich's handling of this matter had serious repercussions throughout the whole factory.

2. Grasping Essentials, Seriously Rectifying Product Quality

In order to raise product quality, Gerich directly grasped the work of establishing technological discipline and started product analysis meetings, special quality problem meetings, and so forth. To improve product quality, Gerich had to focus on the following five aspects:

1. Grasping the Transformation of the Work Moulds and Improving the Quality of Casting.

He believed that to improve the quality of the diesel engines, it was first necessary to concentrate on quality in the casting of the flywheel and the block,so as to reduce the rejection rate. He believed that there were various reasons for the high rate of casting rejects. The work moulds were few in number and did not conform to the blueprint requirements. For six specifications of cast, they had only one mould set.

"Since 1974, this had been constantly damaged and repaired, which affected both production and quality, and resulted in a lack of uniformity in the thickness of the casts. Machined dimensions far exceeded the requirements as set down in the blueprints. A cast of an engine block was 3 kilograms heavier than what was stipulated in the blueprints. Thus, on the one hand he paid close attention to organizing the restoration of the old mould set and on the other hand directed the tool workshop to rush produce new mould sets. He required three mould sets for each type of casting. At the same time, Gerich also carried out an overall reordering in respect to manufacturing, using sand moulds and mud cores, coating with carbon grey, getting more precise mould box placements, improving furnace management and the cleaning, polishing, and finishing of casts, and shortening the time for which blanks were immersed in primer. As a result, the rate of rejects quickly feel from 32 percent to 12.56 percent, with the weight of the engine blocks dropping 3.25 kilograms.

2. Grasping Quality in Processing of Parts

In order to raise quality in the processing of parts, Gerich strictly enforced technological discipline. He established checks at each stage and did not allow parts which were not up to standard to be used. From getting rid of burrs, to polishing oil port chambers and parts, he personally showed how it was to be done. In respect to those "long-standing, major, and difficult" problems, he adopted the method of tackling them after consultations. For example, he concentrated on the problem of the up-to-standard rate of the Zhi Kou [2922 0656] engine block being only 20 percent. He organized a technical staff to attack the problem. First, they sought the causes, after which they warmed the hydraulic machine tools up in advance, improved the work mould clamps, and strictly enforced technological discipline, which caused the up-to-standard rate to immediately climb to 75 percent.

3. Improving Cleanliness, Guaranteeing Overall Quality

Gerich believed that more cleanliness was another key issue in guaranteeing the quality of the diesel engines. The Wuhan Diesel Engine Factory had in the past felt that before products left the factory they had only to undergo 2 and a half nours of trial-testing. There was only one test run and dirty stuff would still flow out afterwards. In fact, little attention was paid to the results in terms of the degree of cleanliness and often, before the engine had left the factory, the crankshaft and the cylinder block had already been damaged.

To raise the degree of cleanliness, Gerich on the one hand decided to change post-test examination to pre-test examination. He also put efforts into improving the degree of cleanliness of all parts. If something needed to be burnished, it had to be burnished and gear wheel surfaces had to be machined smooth. Also, the process of polishing the crankshaft and the oil port chambers was improved. He also insisted that the frequency of cleaning of parts be increased and made optimal arrangements in terms of the density and temperature of the cleaning liquids. In December 1984, the degree of cleanliness of the products of the Wuhan Diesel Engine FActory was 157.6 milligrams, according to an examination by the Wuhan Agricultural Machinery Company. In February 1985, when the Wuhan City Standards Bureau examined them, the figure was only 66 milligrams.

4. Seriously Examining the Quality of Parts Produced Through Outside Cooperation.

Of the parts used in the engines produced by the Wuhan Diesel Engine Factory, parts produced outside through cooperative agreements constitute 79 percent. Thus, Gerich paid close attention to the quality of the parts produced outside. In respect of those parts which were produced in various plants, he required that they be stored in categories according to the factory which produced them and the date of production. Cards had to be filled to note which parts produced outside were used in which completed engines, noting their producing factory and date of manufacture. Thus, at all times, the use of parts produced outside was controlled. Also, on several occasions he had discussions with factories producing parts for the engines with the aim of improving the quality of their parts. When he found that the quality of water tanks produced by an outside factory had clearly improved, he personally went to the factory to express his appreciation.

5. Grasping the Quality of Quality Inspection Work, Improving Checking and Measuring Methods, and Perfecting Systems of Quality Guarantees.

Gerich believed that one of the major reasons the quality of the Wuhan Diesel Engine Factory products had not improved for a long time was that its inspection staff were not strict in their checking, the credentials of the inspection staff were low, and their work quality poor. In order to raise the quality of inspection work, he first changed the jurisdictional relationship of the inspection section. Instead of being managed by the chief engineer, it was put under the direct leadership of the factory manager. At the same time he reorganized the inspection section's leading group and strengthened its leadership, he also required inspection personnel to firmly carry out their work and to make tours around the workshops. In order to raise the quality of inspection workers, he personally gave instructions and trained the inspection workers in rotation. In order to have unified inspection and measuring standards, he arranged to have necessary measuring instruments issued to the inspection staff.

As Gerich strictly readjusted product quality, the Wuhan Diesel Engine Factory's products improved swiftly and firmly. If we compare the period January to November 1985 with the same period the previous year, we find there was a great decrease in the reworking rate, in accordance with the "three guarantee," for the components of the factory's diesel engines. Those for the block declined by 78.82 percent, for the crankshaft by 72.85 percent, and for the cylinder head by 61.63 percent. The number of engines reworked fell by 71.93 percent.

3. Being Strict in Labor Discipline and Being Concerned for the Livelihood of Staff and Workers

In order to reverse the situation of lax discipline and low work efficiency at the Wuhan Diesel Engine factory, in the course of reordering the factory Gerich paid close attention to carrying out education in vocational ethics for the staff and workers of the whole factory. He also set personal example. He came to work early and left late every day, and often put in over 10 hours each day at the factory. Of this, over 90 percent was spent in the workshops, and whenever he found a problem he took immediate steps to resolve it. He often told the staff and workers that as the factory starts the shift at 8 o'clock, it is required that the machines start operation precisely at 7 o'clock. He made a calculation based on the situation at the Wuhan Diesel Engine Factory and estimated that due to starting machines late and shutting them down early, each person wasted at least 70 minutes each day.

Thus, the factory lost over 2,400 hours every day, which meant over 700,000 hours lost annually. He strongly urged the staff and workers to observe labor discipline and develop a concept of time, a scientific concept, and a concept of economic results. He established that the section heads, workshop cadres, and technical staff should spend most of their time getting deeply involved in the workshop groups. They were not permitted to sit in their offices reading newspapers or chatting. Once, he discovered three workers reading newspapers while they were on the job and, on the basis of their different situations, warned one, severely criticized another, and fined the third 10 yuan.

In order to make management more strict and raise work efficiency, he carried out a series of reforms in the factory. For example, in respect to the personnel system, he insisted that the standard for appointing and dismissing cadres be whether they were capable in their posts. "Being poor at one's job, means losing it." He placed stress on intellectuals, but not just on diplomas. In correcting the work style of meetings, he held that the factory had a great number of meetings but did not solve many problems. In order to free the cadres from so many meetings and allow them to concentrate their efforts on grasping production, he stipulated that if Wuhan Diesel Engine Factory was to hold a large meeting it had to be approved by him, that preparations had to be made before meetings, and that actual results were to be stressed. Gerich not only engaged in putting order into the factory, but also paid great attention to the lives of the staff and workers. He often said: "If we are to realize production targets, we need to rely on the enthusiasm and conscientiousness of all the staff and workers in the factory, so as to make all workers feel that they are producing for themselves, producing for their children, and producing for the country, not producing for somebody else." In order to develop a close relationship with the staff and workers, he often went as a guest to the homes of the workers. When a worker was sick, he would visit him and take fruit and fresh flowers. When he discovered that there were difficulties for staff catching buses to and from work, he took the initiative to change the work schedule of the factory so that the workers could avoid the peak-hour rush when going to work. He also actively considered methods by which to resolve accommodation problems faced by staff and workers. last year, relevant departments conducted an opinion survey at the Wuhan Diesel Factory and many workers on their answer sheets clearly indicated: "With a manager as good as this, we work harder," and "Esteemed Mr Gerish is very welcome to continue as the manager of our factory."

Several Inspirations

Looking back at Mr Gerich's experiences in putting the Wuhan Diesel Engine Factory in order, makes us strongly feel:

1. To be an entrepreneur, one must have fine qualities, be firmly dedicated, and be rich in specialized knowledge. These are the necessary conditions for managing an enterprise well. Gerich has said: "I am not a communist party member, but I believe in socialism and I believe that China can develop quickly. It is because I believe this that I came to China." "I am an idealist. In order to help China's peasants, and in order to produce more and better diesel engines, I want to use my remaining years to make a contribution to the great Chinese people. The Wuhan Diesel Engine Factory is your factory, and it is also my factory because I look on myself as a Chinese person." Because Gerich has firm dedication, although he is already 65-years-old, he does not shirk difficulties. He has left his wife and children and come a vast distance to China to work over 10 hours a day. Although he did return to West Germany for a rest, he has driven over 1,000 kilometers in all directions doing things for the Wuhan Diesel Engine Factory. The staff and workers of the factory praise this 60-plus year-old man, saying that he has the energy of a 40-year-old, and that he is firm and indomitable in his stamina.

Gerich is also an expert. He esteems science and acts strictly in accordance with the law of science. Thus, he has been able to firmly put order into the factory and, proceeding from China's conditions and also the conditions at the Wuhan Diesel Engine Factory, adopt suitable management measures. When he had just assumed the post of manager of Wunan Diesel Engine Factory, people all expected him to swiftly adopt a set of advanced management methods from West Germany.

However, he used the "familiar conventions" of our existing management and proceeded by grasping basic work. it was precisely because of such down-to-earth and serious work that the Wuhan Diesel Engine Factory was able to achieve stable and sustained development and experience few great fluctuations.

2. How are we to resolve the question of the quality of an enterprise's products? Where should an enterprise concentrate when it is grasping quality? Gerich's methods in the Wuhan Diesel Engine Factory are very worthy of our consideration. When a quality problem occurred in the products of the Wuhan Diesel Engine Factory, he felt that the specific operators had a responsibility, but more importantly the chief engineer had not done his work properly. He also felt that the head of the inspection section also had to take major blame. Thus, he persisted and firmly decided that these two comrades be removed from their posts. We often say that "when there is a problem below, the responsibility lies at the top." But what exactly is responsibility "at the top" and how is it to be shouldered? We often do not seek "to see what happens in the final chapter," tending to settle things by leaving them unsettled. Is not Gerich's method, in various senses, the "prescription" we need to cure many of our existing ailments?

3. At the same time as improving the external environment, a factory manager needs to fully bring into play the role of subjective dynamism. Gerich's methods of putting the factory in order were not familiar to us; in addition, the Wuhan Diesel Engine factory's base was not good. The reasons the Wuhan Diesel Engine Factory has been able, within the short space of a year, to achieve such great changes provide us with much food for thought. We believe that apart from objective factors, the spiritual approach of our enterprise leaders will truly play a decisive role in this. The overall reform of our nation's economic structure has just begun. We cannot just sit and wait for an improvement in the external situation. We must, through reform within the enterprises, break through old irrational economic structures and promote and push forward the reform of our overall economic system. We must use reforms to change the face of the enterprises. This is something that the vast majority of enterprise leaders must do!

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CSO: 4006/969

XINJIANG REVIEWS QUALITY OF INDUSTRIAL PRODUCTS

HK240450 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 22 Apr 86

[Excerpts] The regional economic committee today held a meeting on quality control of industrial products. The meeting pointed out that the quality of some of the region's industrial products continued to worsen in the 1st quarter of this year. Of the 75 quality targets under examination, 25 dropped and the increase rate of the stability of quality was only 66.67 percent, much lower than that of the same period last year.

The regional standard bureau has examined quality targets of the region's 84 major products. Of these, the quality of 32 products is substandard. Of the 12 kinds of sweets under selective examination, the quality of 9 is substandard. The quality of all 19 kinds of paper under selective examination is substandard. At the end of last year, the regional standard bureau, in conjunction with the relevant departments, examined the quality of 237 kinds of wheat flour products of 192 flour processing units. It found that the quality of 180 kinds of flour products of 137 units was substandard, accounting for 76 percent of the flour products examined.

At the meeting, a responsible comrade of the regional economic committee pointed out that the inferior quality of the region's industrial products is now very serious. This merits the serious attention of all localities, departments, and enterprises. All departments and enterprises must earnestly implement the spirit of the regional economic work conference, seriously correct the guiding thought on their work, and genuinely put upgrading the quality of their products in the first place.

All in all, various measures, including technical, economic, administrative, and legal ones, should be adopted to turn the downward trend of the quality of industrial products as soon as possible.

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COASTAL AREAS EXPAND COOPERATION WITH INLANDS

OW250820 Beijing XINHUA in English 0802 GMT 25 Apr 86

[Text] Nanjing, Apr 23 (XINHUA)--China's coastal areas will expand economic cooperation with the western inland region this year in an effort to reform the country's economic structure, a state council official said yesterday.

"Their cooperation will focus on developing energy resources and raw materials," he told a conference on inter-regional cooperation called by the state council in Wuxi, Jiangsu Province.

"The two regions will also jointly develop new industries and increase the production of quality goods for Chinese and foreign markets," he added.

Since cooperation between the regions started in early 1985 on the proposal of premier Zhao Ziyang, 500 contracts and 1,300 letters of intent have been signed, involving 1.11 billion yuan in investment.

"According to the country's Seventh Five-Year Plan (1986-90)," the official said, "China will vigorously promote economic ties between the coastal and western regions to break down regional administrative barriers and achieve common prosperity."

As the plan points out, the coastal region -- which includes Shanghai, and Jiangsu, Zhejiang, Fujian, Guangdong and other provinces, is the most economically developed part of China and yet it is deficient in natural resources. The country's economic development shows a tendency to spread westwards.

The western inland region, which includes Sichuan, Guizhou, Shaanxi, Gansu and other provinces, is rich in natural resources, especially energy and mineral resources, and yet is underdeveloped.

One delegate said, "inter-regional cooperation will speed the development of natural resources in the west and ensure stable supplies of raw materials for the east."

For example, the western region has introduced 600 million yuan from the east to increase production of coal, iron and steel, non-ferrous metals and chemicals. In return, it will supply the east with these materials.

Shanghai, China's leading manufacturing center, has alone invested 300 million yuan in the western region to acquire supplies of pig iron, zinc, lead, tin and copper.

In addition, the coastal region helps the west boost exports by processing its silk, traditional Chinese medicinal herbs, and farm and sideline products.

In the meantime, areas in the Yangtze River Valley and the big cities of Chongqing, Wuhan, Nanjing and Shanghai along the river have been cooperating in expanding the Yangtze's shipping capacity to facilitate exports from the west.

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ECONOMIC MANAGEMENT

STATE INCREASES AID TO ETHNIC MINORITIES

HK260231 Beijing CHINA DAILY in English 26 Apr 86 p 1

[By staff reporter Zhu Ling]

[Text] The State is increasing financial aid to the country's ethnic minorities to maintain their economic development, according to a senior official of the State Nationalities Affairs Commission.

This year, the government will pump some 8.5 billion yuan into the economies of minority areas. This compares with 7.9 billion in 1985, Ba Tu, director of the commission's Financial and Economic Department, said yesterday.

"State aid will increase at an annual rate of 10 percent over the next five years," he said. "We must give full play to State aid to make the country's minority groups prosper faster."

Last year, the economies of areas inhabited by ethnic minorities made overall progress, according to official figures issued by the commission yesterday.

The total industrial and agricultural output value in 1985 was 79 billion yuan, a rise of 14.6 percent over the previous year. "This was an increase of 58.6 percent over 1980," Ba Tu said.

China now has 55 national minorities, excluding the majority Han. The areas they inhabit cover some 60 percent of China's territory, and the minority population now totals 67 million.

Despite rapid economic growth, some 20 percent of the minority population do not have sufficient food and clothing, Ba said.

Ren Ying, the commission's vice-minister, said yesterday the problem could not be overlooked and had to be solved within the next five years.

"On the whole, the current economic situation of the country's ethnic minorities is the best since the founding of the People's Republic. Their economy has been put on course of health development," Ren said.

In 1985, their total agricultural output value was 35 billion yuan, up 8.1 percent on the 1984 figure and up 45.2 percent over 1980. The annual growth rate between 1981 and 1985 was 7.7 percent.

Ba Tu attributed the growth to the flexible policies the central government had introduced to stimulate the initiative of ethnic groups, allowing farmers and herdsmen freedom to determine how they make a living from the land.

Since 1980, for instance, all arable land and pasture in Tibet has been gradually contracted out to individuals to use as they see fit for the next 30 years. The government has exempted all Tibetans from taxes until 1990.

Total industrial output value in 1985 from the 40,000 ethnic industrial enterprises was 43.9 billion yuan, an increase of 20.2 percent over 1984 and up 70.5 percent over 1980. The annual growth rate of industrial output value was 11.3 percent between 1981 and 1985, Ba said.

The steady development has brought about a considerable improvement in people's lives. Between 1981 and 1985, their average consumption increased at an annual rate of 5.8 percent, the director said.

This year, the top priority of the commission's work is the development of productivity in ethnic minority area, stimulating their initiative to close the gap between them and the Han majority.

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CSO: 4020/300

IMPROVEMENTS IN HEILONGJIANG INDUSTRIAL PRODUCTS DEMANDED

Harbin HEILONGJIANG RIBAO in Chinese 8 Nov 85 p 2

[Article by Ji Ping [4764 1627]: "Quality of Heilongjiang's Products in Urgent Need of Improvement--Provincewide General Quality Check on Industrial Products Described"]

[Text] To halt the present quality deterioration of some products, many prefectures (cities) counties and the departments concerned have conducted extensive check-ups on the quality of industrial products. According to incomplete statistics, 6,682 enterprises in the province have conducted check-ups on the quality of their own products. On this basis, the departments in charge at various levels have also conducted random checks on 3,420 varieties of products belonging to 2,082 enterprises. Of these products, 264 varieties, 7.7 percent, showed deteriorating quality. Of the 1,395 varieties rated by the state, the ministry or the province as fine-quality products, 58 of them, 4.2 percent, showed declines in quality. According to this quality check-up, the large and medium key enterprises seemed to have a stronger quality concept. Their quality control was fairly efficient and the quality of their products remained fairly stable. The ulterior business motives and poor management of the small and township enterprises have brought about a drastic deterioration of quality. In trying to make profits, some of these enterprises forgot all about business ethics and resorted to various deceitful means to victimize the consumers. This certainly cause widespread dissatisfaction.

Among the products of different trades, quality deterioration is most serious in household electrical appliances, food, drugs, and other items that are closely related to people's daily life. According to a unified provincial check-up on 97 enterprises producing 160 brands of household electrical appliances, 51, or 52.6 percent, of these enterprises and 76 varieties, 47.5 percent, of the products that had been checked on, failed to match the required standards. Among these products were 12 varieties of fine-quality products, and 4 of them failed to pass the check-up. Quality deterioration was even more serious in the food trade. According to the data of the check-up in Harbin, Mudanjiang, and four other cities and counties, only 9.5 percent of the beer was up to the standard. The deterioration was particularly serious in summer when many breweries, trying to increase their output and output value, did everything they could to reduce the longevity of the liquor. The inferior quality of beer led to great dissatisfaction among the masses. In the same six cities and counties, check-ups were also conducted on 210 sample popsicles produced by 186 different enterprises, according to 7 scientific standards. None of these products were up to all these standards. Some enterprises even carried out illegal production and sold unwholesome food and fake drugs, causing popular indignation.

In fact, some township and town enterprises are in no condition to produce up-to-standard products. Without the setup, personnel and equipment for quality check-up or any standard to guide their organization of production, these enterprises can only produce inferior products. In Harbin, the Longquan Fire-Fighting Implements Plant is a specialized plant. The 8-kg portable fire extinguishers were checked according to five set standards and failed in three of them. Only 25.5 percent of the spare parts and accessories could pass the check. A fire broke out in Handan in May, an the fire extinguishers were found to be useless. Instead of putting out the fire, one of them exploded and wounded two firemen. This incident created a widespread repercussion. The milk powder produced by the Xinfa Milk Products Plant of Harbin, contained some bacteria which may cause disease, and the amount of bacteria was several times over the state-set limit. In March, a customer in Dandong ate it and suffered a "shock from poisoning." All the milk powder in Dandong was returned to the plant, but the plant dumped it on the Harbin market without taking any corrective action.

There are also some enterprises wilfully reducing the work of quality control in the name of "simplifying administration." According to a recent random check of 2,082 enterprises, 259 have either abolished their quality control or quality check sections or have merged them with other sections, and have assigned some of their quality-check personnel to some lower levels. There were 105 enterprises without any quality-check setup or specialized quality-check personnel. The Xiangfang Comprehensive Timber Processing Plant of Harbin merged its quality-check section and sent part of the quality-check personnel to work in the workshops. The quality of its products markedly deteriorated. As shown in a random check conducted by the Provincial Standardization and Measurement Bureau in August, the proportion of this plant's first-grade plywood had dropped from 63.1 percent in 1984 to 53.2 percent. The Harbin No 2 Motor Vehicle Spare Parts Plant paid no attention to quality at all. From November last year to April this year, there were three cases of quality-check personnel being beaten up. These personnel could not do their work properly and there was no strict quality standard to speak of. After the check-up, four out of the nine varieties produced by this plant were found to be substandard; and one of the two fine-quality products could not measure up to the required standards.

At present, the leadership in some regions, departments and enterprises still fail to pay due attention to the work of quality check, and some leaders even condone these shortcomings and try to "minimize the consequences of major issues and disregard the minor issues." Even though some serious quality problems were discovered during the check-up, the culprits could get away with just a fine. Thus those unscrupulous elements selling fake drugs and unwholesome food did not get the punishment they deserved.

The quality of products has a direct bearing on the interests of the state and the consumers. For the enterprises, it is a vital issue. Therefore, we must give priority to the question of product quality, correctly handling the relationships between quality and quantity and between speed and economic results to truly improve product quality.

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PROSPECTS FOR LIMITED-LIABILITY COMPANY DISCUSSED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 8, 20 Aug 85 pp 32-36

[Article by Fu Zuxi [0265 4371 3556]: "Limited-Liability Stock Company--The Best Model for Pooling Capital"]

[Text] At present, a prominent problem needs to be resolved in economic construction. The problem is caused by our inability to use the idle funds of society, which have increased substantially, and locate funds needed for the founding of many enterprises. For many years, our way of getting funds was to look up and hold out our hands to the state, asking for financial allocations. In the past few years, we looked out, turned to foreign countries for help and absorbed foreign capital. Facts have proved that under the former method, funds cannot increase endlessly due to limited state financial resources; under the latter method, although we should try our best, we cannot always get what we want because of the characteristics of foreign funds. We think that in order to solve the problem of fund shortage in large-scale construction, we should look down in addition to looking up and out to make up the deficiencies of the first two methods. This is because it is first possible and second necessary to pool funds in this manner. At present, there are over 100 billion yuan in the savings deposits of urban and rural banks and over 30 to 40 billion yuan of cash in the hands of the people. In addition, there are also many different kinds and classes of savings deposits in government organs, mass organizations, enterprises, institutions, rural households and work groups. Although banks can transfer part of the savings deposits to production funds, the amount of funds banks used directly for investment is rather limited, not to mention the fact that the use of funds itself is a problem and that a certain kind of market mechanism is required to regulate the direction of the flow of investment and improve the results of investment. In addition, it is a waste to bury funds in a cellar, but misuse or overspending of funds seems to be also harmful and rushing to purchase goods in short supply is even worse. We may consider the existence of large amounts of idle funds as a potential danger. Because of this, we must think of a way to meet both needs--to use idle funds and locate capital for enterprises. This method is already commonplace in other countries. It is an old road followed by almost every country which has developed a commodity economy. Because large-scale commodity production requires large amounts of money, and old investment methods such as sole proprietorship and partnership could no longer satisfy the demands of socialized large-scale production, the limited-liability stock company emerged as the times required. Marx once said some famous words: "If we had to wait for some individual funds to grow to such an extent to be able to build railways, I am afraid that there would have been no railway in the world today. But through joint-stock companies, this job was completed in no time" ("Das Kapital" Vol 1, p 688).

We all know the contribution of the invention of the steam engine to the industrial revolution of the bourgeoisie in the 18th century, but we are not very clear about the equally great contribution made by the establishment of the corporate system to the industrial revolution. In the corporate system, the most typical, common and effective corporation is limited-liability stock company. In the development history of commodity economy, the limited-liability stock company and steam engine can be considered two great discoveries. Marx also fully estimated this. He said: "At first, it squeezed in quietly as a small adjunct of accumulation .... But before long, it became a new deadly weapon in the struggle of competition; eventually, it turned into a huge social organization for pooling funds" ("Das Kapital" Vol 1, p 687). Unfortunately, due to a leftist infantile disorder, this has been criticized and rejected indiscriminately for many years. Even today, the remaining influence of this disorder still makes some of us "turn pale at the mention of a tiger" and afraid to express opinions easily. Some people "fall for its novelty," but they still have the attitude of "staying at a respectful distance from ghosts." In fact, Marx already said that even in a capitalist society, the joint-stock system "still rejects the capitalist concept of personal wealth on the basis of the capitalist system itself. The bigger the joint-stock system expands and the deeper it makes its way into new production departments, the better it would eliminate personal wealth" (see "Das Kapital" Vol 3).

Why can't we inherit good and useful things from a capitalist society? Of course, we would not copy them indiscriminately. We would inherit, improve and develop them. The important thing is that we should first understand and study their systems and then, in accordance with the social system and actual conditions of China, develop a Chinese model limited-liability stock company. Later on, we may revise it through practice and continue to improve it so as to open up a new road for China's investment system. What is wrong with this?

The so-called limited-liability stock company must be a corporation in legal terms because many of its characteristics are exactly the same as the characteristics of a corporation. It is an economic entity with its own articles of association and organization. It has independent wealth which in fact is a basis for limited liability, whereas limited liability is a demonstration of independent wealth. After its founding is approved by law, it will become a subject with the ability to exercise rights and perform functions. Its organization, articles of association and independent wealth provide the basis for its qualifications as a subject. There are many kinds and classes of companies in the world. In addition to limited-liability stock companies, there usually are limited-liability companies, limited partnerships, partnerships and unlimited companies. But, the limited-liability stock company is the only one that is a "standard" corporation as well as the best model for pooling large amounts of social funds. The limited-liability company (which does not issue stocks) is also a "standard" corporation, but it is very hard for such a company to pool the idle funds of society, especially small amounts of idle funds. The limited partnership is not quite "standard" because it has some shareholders whose liabilities are not limited to their investment in the company. The partnership has defects in both fields. The unlimited company is not a "standard" corporation. Many countries do not even recognize it as a corporation not to mention its function of absorbing large amounts of social funds. This is exactly the reason we have chosen this model of limited-liability stock company.

A limited-liability stock company, as its name implies, should issue stocks. The common practice is to issue a fixed amount of stock in large numbers but small denominations of shares bearing or not bearing the names of the owners. Shareholders' liabilities are limited to the face value of their holdings. Shareholders will be given dividends and extra dividends. Issuing a fixed amount of stock is conducive to the issue, market exchange and computation of stock. Issuing a large number of shares in small denominations makes it convenient to pool scattered funds of society and accumulate petty cash to be used as a large sum of money. Whether stocks should bear the the names of their owners depends on concrete situations because they each have different functions. Limited liability encourages investors to subscribe to stocks because it guarantees that there will be no risk other than losing the money they paid at the time of the subscription. Dividends give shareholders a fixed amount of income. The amount of extra dividends not only reflects the management situation and market reputation of the company but also gives shareholders some actual benefits in addition to dividends, thereby further linking shareholders' interests to the company's.

The limited-liability stock company has two other extremely important characteristics. One is that it has given birth to a large number of shareholders who do not participate in the management of the enterprise, thus promoting the separation of ownership from rights to administration and management. To encourage this rational form of enterprise and protect investors' rights and interests, the state should formulate relevant laws (such as the business law and corporate law in some countries) to define in unequivocal terms the scale of organizations and operations and the duties and rights of the company. Usually, there is a strict procedure for approving the founding of a company. Companies generally have a rational and complete set of articles of association, personnel and supervising and managerial bodies such as stockholders' meeting, board of directors and supervisers'committee. This spurs enterprises to switch from management based on ties of blood to scientific management where enterprises are run by experts. Another characteristic of limited-liability stock company is that it needs to issue and transfer stocks. In capitalist countries, stocks are usually traded at stock exchanges; therefore, the stock exchange is a functional organ for pooling, transferring and regulating capital as well as a gigantic gambling house for speculators and troublemakers. We should use what is right and discard what is wrong in this practice and choose what is beneficial and avoid what is harmful to us. We should also weigh the pros and cons and make a careful choice. Only doing so can we make it serve our purpose without being troubled. This all depends on ourselves. Because of this, we have made the following suggestions for the consultation of all fields concerned.

We suggest that we try the following practices:

1. China's legal system is not yet complete. Relevant corporate and bankruptcy laws have not been formulated. Therefore, in order to perfect the organization of the limited-liability stock company, facilitate the issue of stock, protect investors' interests and enable this new thing to grow in a healthy manner and prevent it from coming to a premature end and committing serious mistakes, we may consider formulating a complete set of standard rules and regulations for limited-liability companies and demand that founders of every limited-liability stock company formulate their articles of association accordingly. Banks should refuse to issue stocks on behalf of those who fail to do so. Industrial and commercial administrative departments should refuse to approve their registration.

The standard articles of association should provide clear stipulations concerning the purpose, business operation, organization, and personnel of the company, duties and rights of each organ and shareholder, accounting, auditing, supervision, control, increase of capital, borrowing, stock issue, profit distribution, dividends, extra dividends and liquidation.

2. It would be better if the issue of stock is centralized in banks for the time being. In other words, banks should issue stocks on behalf of companies. There are four advantages: 1) banks have a higher reputation which is conducive to stock issue; 2) banks have more existing organs and personnel which make it easier for stock issue; 3) banks have solid financial strength which can provide support; and 4) banks are legally qualified for exercising supervision.

3. Stock Liquidation

There must be a quick and convenient way to liquidate stocks; otherwise, it will discourage people from buying stocks. While there is no stock exchange for the time being, we may consider adopting the following methods: 1) stipulate that stocks may be liquidated at the issuing bank; 2) stipulate that stocks may be transferred by the issuing bank on behalf of the company; 3) stipulate that stocks may be purchased by the issuing bank; 4) stipulate that stocks may be used as pledges; 5) stipulate that stocks may be transferred freely, but the transfer of title must be registered with the issuing bank. If necessary, banks may investigate and handle the transfers of title.

4. Stock Exchanges

Because there will not be many limited-liability stock companies for the time being and because other social conditions are still not available at present, there is no rush to open stock exchanges. When the time comes, we think it is better to open stock exchanges because: 1) Opening stock exchanges is conducive to trading stocks on the market, increasing the liquidity of stocks and pooling large amounts of idle funds in society. 2) Opening stock exchanges can help establish capital market, bring into play the functions of market feedbacks and mechanism, and regulate capital flow in a rational direction so that promising and beneficial industries and well-managed lucrative enterprises may get sufficient funds. 3) China's future stock exchanges will not be a paradise for speculators. Instead, they will coordinate with banks, facilitate the implementation of state economic and monetary policies, supervise and assist in enterprise management, protect the lawful rights and interests of shareholders, master and analyze market information, and guide capital flow in a correct direction.

5. Stock Prices

In a capitalist society, stock prices are variable. The price fluctuation of stocks, especially those popular stocks which are used as bargaining counters in speculation, is not just a function of economic results and the market reputation of the company; it is also affected by macroeconomic, political and international relations. Moreover, stock prices are often manipulated by speculators. Stocks, bonds and gold make three big markets for speculation. Such things, of course, must not be allowed to reappear in the future stock market under the socialist system. We may minimize the possibility of speculation by formulating appropriate legal systems and a set of management methods. However, whether and how stock prices should be allowed to fluctuate remains an important subject to be studied. In our opinion, face value should be considered a standard during the issue of stock, and fluctuation above or below this level is prohibited. During the transfer of stock, stock prices may be calculated in two ways to give appropriate variations. One way is to divide the net asset value of the enterprise in a given period prior to the transfer by the number of shares of stock actually issued by the enterprise:

$$\text{sales price of a share of stock} = \frac{\text{assets - liabilities}}{\text{number of shares of stock issued}}$$

Another way to calculate stock prices is to estimate the increase and decline in the current value of stock and the rate of such increase and decline according to the amount of extra dividends distributed at the end of the previous year and the profit situation of the enterprise during the period prior to the sales of stock. China's stock prices should not be affected by various speculative factors. However, it is still necessary to set a reasonable price in accordance with the management situation of the enterprise and the supply and demand situation of the market. The issuing bank should take up the responsibility of computing and listing such prices. Only by so doing can we help capital flow in a rational direction and bring into play the mechanism of capital market.

In addition, banks may affect and regulate the buying and selling of stocks with floating liquidation rate, the disparity of buying and selling prices, dividend and extra dividend subsidies for buying and selling and the appraisal of stocks which are used as pledges for loans.

6. Dividends, Extra Dividends, and Others

Dividends and extra dividends are also one of the important questions in the issue of stocks. Theoretical problems involved will not be discussed here. We wish to talk about a few concrete opinions: 1) Generally, dividends paid on stocks should be fixed. Necessary changes in dividends should be strictly stipulated in the articles of association. 2) Extra dividends must be distributed in correct proportion to the earnings of the enterprise. A rational ratio must be defined. It should not be changed willfully by enterprise leaders. This should also be stipulated in the articles of association. 3) Generally, no ceiling should be set for the total amount of dividends and extra dividends. If a limit is really necessary, it must not be too rigid or too low. 4) The distribution date of dividends and extra dividends should be specified in the articles of association. 5) Appropriate and rational stipulations concerning the number of shares of a certain company owned by each individual or unit should be worked out. 6) For the time being we should mainly issue stocks bearing the names of their owners. Stocks which do not bear the names of their owners may be gradually developed in the future. The names of those shareholders who are reluctant to "show their wealth" will be held in confidence by banks and companies. 7) All stocks must be bought and sold in cash. It is better not to deal in futures for the time being.

7. Stocks of Several Companies

1) When an existing enterprise issues stock, it should liquidate its assets and convert them into stock. 2) When several enterprises of the same industry or several enterprises of different industries are incorporated into a limited-liability stock company and decide to issue stock, all enterprises involved must liquidate all of their assets and convert them into stock. 3) When a new limited-liability stock company established by an existing enterprise issues stocks, the existing enterprise may convert the amount of its investment into stocks. 4) Newly established limited-liability stock companies generally should sell stocks mainly for cash. However, depending on the situation, they may allow converting other assets into stocks. 5) Limited-liability stock companies should provide stipulations in their articles of association concerning the issue of additional stocks resulting from the expansion of investment which is subject to the examination of the issuing bank.

In conclusion, I also want to say a few words to those well-intentioned comrades who are afraid that limited-liability stock company, especially stock exchange, may cause side effects or create negative factors, about our attitude: First, we should face and fully estimate the possibility of this practice. Second, we should not be afraid or stop eating for fear of choking. Third, we should believe that with our advanced socialist system and national strength and through careful research and conscientious exploration, we will be able to limit many unfavorable or even harmful factors to a fairly small scope. In sum, judged from the current situation, the limited-liability stock company is still a new thing. Many questions need to be further analyzed and repeatedly deliberated. But it is not impossible to select one or two feasible projects and experiment with them in pilot units so as to avoid being a long-term armchair strategist. Through practice we can also deepen our understanding and improve our methods. We think that using the model of limited-liability stock company to pool funds through the issue of stock to develop the economy is a major task. We are afraid that the far-reaching influence and significance of this task cannot be fully estimated. It is precisely because of this that we feel the necessity and heavy responsibility of exploring this issue.

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INDUSTRY

HEILONGJIANG NOTES LIGHT INDUSTRY TECHNICAL TRANSFORMATION

Harbin HEILONGJIANG RIBAO in Chinese 12 Nov 85 p 1

[Article by Gu Wanming [7357 8001 2494]: "Heilongjiang Develops Light Industry by 'Turning Eyes Inward' Instead of 'Striving for All-Round Success'"]

[Text] In developing its light industry for which it has good natural resources, Heilongjiang has followed the ideological guideline of "turning eyes inward" and paying attention to the technical transformation of its existing enterprises. This is the lesson learned from its experience of "striving for all-round success" by spreading out its resources blindly several years ago. This marks a profound ideological change.

In readjusting its industrial structure, Heilongjiang vigorously developed its light industry for which it has good resources. However, since some comrades were accustomed to "large projects," and some departments vied with one another for new projects and investment out of considerations for their own interests, the province unwittingly chose to "strive for all-round success," and most of its funds were spent on building new plants and setting up new establishments. At the beginning of last year, the province had 28 sugar-refineries, more than 100 milk-product plants, and some 400 textile mills, nearly half of which were small mills newly built in the past several years. The increase in the processing capacity was too fast and exerted a strain on the resources. The shortage of resources thus posed a new contradiction.

The province began to appreciate this ideological guideline last year. The authorities conducted a concrete analysis of the different courses of action taken by the Hongguang Sugar Refinery and the Heilongjiang Milk-Product Plant, and people were greatly enlightened by the result. The Hongguang Sugar Refinery spent 2 years on its own technical transformation, and its daily capacity for processing beetroots increased from 1,500 tons to 3,000 tons, with its profits doubled. The expenditure of time and money on the technical transformation, compared with that of building a new plant having a daily processing capacity of 1,500 tons, was one-third less. The Heilongjiang Milk-Product Plant was newly built in Anda with imported foreign capital. The daily milk output in the areas around Anda was only 100 tons, and there was originally a total processing capacity of 140 tons daily. Thus as soon as the new plant went into operation, the shortage of raw materials was keenly felt.

The light industry departments of the province also compared the economical results of large and small plants and discovered that in processing 1 ton of milk, the energy consumption of a small plant was more than 3 times that of a large plant, while the profits for small plants were less than half of those for large plants. Again, in processing 1 ton of sugar, a large plant's profits may be more than 120 yuan, while a small plant would lose more than 320 yuan. In view of these facts, they are now aware that even in the development of light industry, for which the advantage of resources is available, they must still proceed from realities and do what they are capable of. They must not blindly strive for high speed and build new plants; otherwise, the resources as an asset may turn out to be a liability and bring about many serious consequences.

For more than 1 year, Heilongjiang has strictly controlled the number of new projects in developing light industry, and not a single new outlet was established. At the same time, the authorities turned their attention to the technical transformation of the old enterprises and obtained fresh economic benefits. The light industry departments of the province have made in-depth investigations and scientific forecasts, besides readjusting their plans of development in a realistic way. At first, they envisaged an annual output of 1 million tons of sugar in 1990. Since this target is unrealistic, it has been revised to 700,000 tons.

9411
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SLOWER GROWTH, BETTER ECONOMIC RESULTS FOR ZHEJIANG

Hangzhou ZHEJIANG RIBAO in Chinese 17 Nov 85 p 1

[Article by Yang Xingxuan [2799 5281 5503]: "Zhejiang Strengthening Macroeconomic Control with Remarkable Success; Better Economic Results Despite Slower Industrial Growth"]

[Text] By the end of October, the rate of industrial growth in Zhejiang had been reduced from 42.2 percent in the first quarter to 36.9 percent, while its revenues in the same period were increased from 16.9 percent to 32.8 percent. Production is becoming regular and the economic results are steadily improving. These are the fruits of the decision of the CPC Central Committee and the State Council on strengthening macroeconomic control, now being reaped in Zhejiang Province.

The economic departments in the province have adopted a series of measures for macroeconomic control since the first quarter of this year. The excessive speed of industrial growth was reduced and economic results were improved. The industrial departments have given up the idea of vying with one another in increasing their output value and are now stressing economic results while organizing their production. They are continuing to produce more easily marketable goods and export commodities to enrich the market and to withdraw currency from circulation on the one hand, and taking measures to restrict the excessive production of goods on the other. Thus the speed of growth is now subordinated to social economic benefits, and the normal development of production was ensured. By the end of October, the output value of state-owned industrial enterprises increased 14.4 percent over the same period last year and the rate of increase, compared with that of the first quarter, was reduced by 5.7 percent. The taxes and profits realized increased 18.7 percent over the same period last year, and 1.7 percent over the first quarter of this year. The conflict between speed and results has now been resolved. After the consolidation and the general quality check at an earlier stage, the quality of product gradually improved again in the second half of the year. In the province, 69 quality standards were set up specially for 54 types of products. According to a comprehensive evaluation at the end of September, the products either remained stable or became better than they were in the same period last year according to 57 of these standards, and the rate of quality improvement was 82.61 percent. The output value of fine-quality products increased 42.4 percent over last year.

The industrial departments pointed out: Because of the increase in the prices of raw materials, energy and other factors in production, the cost of comparable products may show an increase and cause greater losses. This matter deserves the serious attention of the leadership at various levels. All industrial departments and enterprises at various levels must pay great attention to their management, tap their potential, increase their internal power of assimilation and strive for even better results.

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PAPER REPORTS 10 'GRATIFYING' MAJOR INDUSTRIAL IMPROVEMENTS

Shijiazhuang HEBEI RIBAO in Chinese 7 Dec 85 p 1

[Article: "Ten Major Changes in Hebei's Industrial Production During the Sixth 5-Year Plan as a Demonstration of the Tremendous Power of Party Policies and the Impetus of the Reform on the Sustained Development of Production"]

[Text] During the Sixth 5-Year Plan, industrial production in Hebei continued to improve every year. Industry is now undergoing a sustain and stable development, and 10 gratifying changes have taken place.

First, sustained and stable industrial growth. It had its ups and downs in the early stage of the Sixth 5-Year Plan, but picked up speed in 1983. In 1981, its output dropped 1.4 percent below the previous year, but rose 5.6 percent in 1982, 9.9 percent in 1983, 14.9 percent in 1984, and is expected to rise 15.4 percent in 1985, with an average growth rate of 8.7 percent each year. The task of "4 percent increase in agriculture and 5 percent increase in industry" as laid down in the Sixth 5-Year Plan was overfulfilled.

Second, a more harmonious proportionate relationship between heavy and light industries. The product mix was readjusted and the output of consumer goods was increased during the Sixth 5-Year Plan. The former bias toward heavy industry at the expense of light industry was changed. In 1985, the output value of light industry is expected to be 66.3 percent higher than in 1980, while that of heavy industry is expected to be 39.8 percent higher. In the total industrial output value, the ratio of light industry rose from 44.1 percent in 1980 to 47.9 percent, while that of heavy industry dropped from 55.9 percent in 1980 to 52.1 percent.

Third, accelerated construction in energy resources and transportation. During the Sixth 5-Year Plan, the productive capacity in coal industry was increased to 9.63 million tons, and the output in 1985 is expected to be 10.5 percent higher than in 1980. In the power industry, the installed capacity has been increased to 1.04 million kw and the volume of generated power is expected to increase 30.9 percent. Crude oil output was maintained at a steady rate of increase. A total of 630 km of new highways were built, and the turnover of cargo traffic in the localities is expected to increase 64.6 percent. The traffic handling capacity of Qinhuangdao harbor has been increased, and a new harbor was built in Dakou He, Cangzhou Prefecture. For civil aviation, four air routes were set up from scratch.

Fourth, the simultaneous development of different economic sectors. Since 1983, according to the policy of simultaneous development of the state, the collective and the private sectors, the former bias toward the state sector and discrimination against the collective and private sectors have been changed. At the end of 1984, the number of state-owned enterprises numbered 3,759, an increase of 38 over 1980, and their output value increased 28.7 percent. There were 14,165 collective enterprises, an increase of 2,653, with a 45.3 percent increase in output value. The number of households engaged in industry in the townships was increased to 8,828.

Fifth, improved economic results. Stress has been laid on the improvement of economic results since 1983. The practice of striving for high speed and neglecting economic results has been changed, and the economic results have gradually improved. In 1985, the taxes and profits from industrial enterprises with independent accounting are expected to be higher than in 1980 by 35.4 percent. The total output value of the state sector of industry is expected to increase by 5.69 billion yuan of which 70 percent is realized through higher labor productivity. The increase of output no longer relies on increased manpower alone. The taxes paid and profits delivered amounted to 90 percent of the original value of the existing fixed assets, a 34.6 percent increase over the Fifth 5-Year Plan period.

Sixth, accelerated technical transformation of enterprises. Technical transformation of the existing enterprises was emphasized during the Sixth 5-Year Plan. This has helped speed up scientific and technological progress. The proportion of fixed-asset investment used in renovation and transformation was raised from 26.7 in the Fifth 5-Year Plan to 39.3 percent. In that 5 years, it is estimated that 7,300 projects of technical transformation will be completed and put into operation, by which time the new value of fixed assets will be equivalent to 26.3 percent of the original value of fixed assets in the industrial enterprises of the state sector in the province. Ninety percent of the investment was used on technical measures for production.

Seventh, gradual development of economic and technical cooperation with foreign countries. In upholding the open-door policy, the province has developed its economic and technical cooperation with foreign countries. Instead of being "sealed off," it is being gradually opened to the outside world. In these 5 years, the prefectures and cities of the province have carried out economic and technical cooperation with the fraternal provinces, municipalities and autonomous regions in more than 4,500 projects. They have also signed contracts with foreign countries for importing 273 technical projects of $184 billion in value in addition to contracts and lease agreements for the use of foreign capital involving $91.78 million on 143 projects. Some of these projects have been put into operation and are beginning to show good results.

Eighth, a new breakthrough in the formation of lateral economic ties. These ties among the enterprises at home have transcended the barriers between different regions, between urban and rural areas, and between different trades and systems of ownership. The integrated economic bodies, formed at different levels, taking various forms and operating through many channels, have emerged in large numbers and are beginning to change the so-called "castle economy." Since 1983, 826 such integrated bodies have been set up, and 87 of them played the leading role because of their competitive products. With the remarkable improvement of their economic results, these integrated bodies will pave the way for research in readjusting the enterprises' organizational structure.

Ninth, reform as a means of increasing the enterprises' vitality. The structural reform of the urban economy focused on the invigoration of enterprises has helped simplify the administration along with the delegation of more power to the enterprises. The former practice of over-centralization and rigid control has begun to change. After the second step of substituting tax payment for profit delivery, more than 85 percent of the enterprises have adopted the system of economic responsibility mainly in the form of contracts. The phenomena of enterprises "eating from the same pot" of the state and employees "eating from the same pot" of the enterprises have also changed. The system of unified purchases and marketing by the state has been reformed, the mandatory plans have been reduced, and the enterprises are no longer isolated from the market. Production and business operations have undergone great changes. Some state-owned enterprises have adopted the system of factory directors assuming full responsibility to strengthen the chain of command in production. For some small state-owned enterprises, the policy of "state ownership and collective operation" was introduced. Among some large and medium enterprises, the accounting units have been split up into more smaller ones so that the branch factories and workshops will have greater power. All these reforms have increased the enterprises' vitality and promoted the development of production.

Tenth, continued improvement in workers' quality. After the reshuffle of the leading bodies of the industrial enterprises above the county level in the province, the number of cadres who are more revolutionary, younger, better educated, and more professionally competent, have increased considerably. According to an analysis on 72 large and medium key enterprises, the average age of their leading body members is 45, and 81 percent of them have received university or specialized education. A national examination was held on more than 2,800 factories directors under training, and 95 percent of them passed the examination. In addition, 55,000 workers and staff members have attended various types of universities and specialized colleges, and 190,000 economic cadres at all levels have received short-course training. The updated knowledge and the increased competence of the cadres and workers have also improved the enterprises' operation and management.

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INDUSTRY

SHIP DISMANTLING TRADE DEVELOPING RAPIDLY

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 31 Dec 85 p 3

[Article by Wang Lijiang [3769 781[illegible] 3068] and Ding Genxi [0002 2704 0823]: "China's Ship Dismantling Trade in Top Ranks of the World"]

[Text] Ship dismantling as a new trade is rapidly developing in China. By now, nearly 300 factories are engaged in this trade, and 118 of them are directly working for the state. This trade has become a regular productive undertaking and ranks among the best in the world.

China has experienced difficulties from the shortage of steel materials for many years and has spent large sums of foreign exchange on importing these materials. Ship dismantling is one effective means to solve this problem. As we understand, the same amount of foreign exchange used on importing salvaged ships for dismantling would increase the available amount of steel materials by 40-50 percent. Furthermore, the huge number of ships to be salvaged in the world have provided a good opportunity for China to develop its ship-dismantling trade.

Many ship-dismantling factories have now been built from scratch in Liaoning, Tianjin, Shandong, Shanghai, Guangdong and Guangxi, and China's ship-dismantling trade, formerly dismantling only small ships of 5,000-6,000 tons, is now capable of dismantling large tankers of more than 20,000 tons. Its annual dismantling capacity has increased many times over. Its technical equipment has also been greatly improved along with the reduction of environmental pollution year after year. Most of these factories are up to state standards. In the past 3 years, according to statistics, 268 ships have been dismantled in China and approximately 1.9 million tons of metals were obtained from this source. These metals from the hulls and other scraps were turned into 1.6 million tons of rolled steel plates and alloy steel, in addition to nearly 20,000 tons of nonferrous metals including copper, aluminum and Babbitt metal. The pressure on the steel market at home has been alleviated.

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BRIEFS

EXCESSIVE WOOLEN MILLS ANTICIPATED--According to a comprehensive report on various localities, the contradiction between wool supply and demand in China is very acute because the wool resources are inadequate for the requirements of woolen textile production. Therefore, the localities should not build any more woolen textile mills. The present national resource of processed wool is 110,000 tons a year, whereas the 1.5 million woolen spindles already have a capacity for 140,000 processed wool. The shortfall of 30,000 tons of processed wool is equivalent to 80,000 tons of unprocessed wool. Because of the rise of living standards and the increased demand for woolen fabrics in the past several year, there are signs of woolen textile mills being built everywhere. In Xinjiang--the major wool producing region--alone, the building of 21 such mills is being planned. These mills, together with those already in operation, will use up all the wool produced locally and the transfer of wool to other provinces, in the amount of 10,000 tons a year, can no longer be continued. At present the national capacity of wool spinning has increased one-third, and still tends to increase further. Many mills will be confronted with the problem of operating under capacity. [Text] [Chengdu JINGJI XIAOXI in Chinese 21 Feb 86 p 1] 9411

CSO: 4006/866

CONSTRUCTION

IMPORTANT ROLE OF BUILDING INDUSTRY IN SHANDONG

Jinan DAZHONG RIBAO in Chinese 15 Nov 85 p 1

[Article by Lu Jianzong [7627 1696 4920] and Lu Tongzong [7627 2827 4844]: "Shandong's Building Industry Serves as a Pillar of the Economy"]

[Text] The conscientious implementation of the policy of readjustment and reform in Shandong's building industry has enabled the enterprises to develop rapidly along with the continued increase in the workforce. It has also infused new vitality and vigor into the entire trade so that it will serve as a pillar of the economy in accelerating the four modernizations and bringing prosperity to the people and the province. During the Sixth 5-Year Plan, according to an estimate, its output value reached 8.6 billion yuan, the completed floorspace amounted to more than 31 million square meters, and the taxes and profits paid and delivered exceeded 110 million yuan. This trade made the greatest contribution to the national revenues in Shandong.

Readjustment and reform have infused vitality and vigor into the building trade. During the Sixth 5-Year Plan, an all-round consolidation was carried out in Shandong along with a reform in the management structure, first in the units and later for the overall system. Of the 49 state-owned enterprises engaged in building and installation, 89.8 percent have adopted various forms of contracted responsibility system, and more than 2,500 projects, 85.9 percent of the total number, were contracted to the construction units. These projects covered a total floorspace of 3.26 million square meters, 87.6 percent of the total housing construction area. The system of investment contracts and public bidding adopted in various localities of the province, which is different from the former method of job assignments with administrative means, now begins to encourage competition, resulting in the survival of the good and the elimination of the bad. Since 1984, more than 1,900 construction projects involving an area of 4.33 million square meters have been put to public bidding, which has been fairly effective in reducing the construction cost and shortening the construction periods.

Readjustment and reform have markedly raised the standards of technical equipment and of the technologies of designing and construction. During the Sixth 5-Year Plan, the machinery and other equipment for the construction and building enterprises in Shandong were markedly increased and the degree of mechanization continued to rise. At the end of 1984, the state-owned construction enterprizes owned more than 9,200 sets of construction machinery of 13 major types, an increase of more than 10 percent over 1980, for excavation, bulldozing, shovelling, weight-lifting, loading and unloading, and so forth. The standards of prospecting and designing and the technology of construction have been greatly raised in the past 5 years. The province is now capable of prospecting, designing and building many important construction projects of a complex technical nature all on its own. Some of these projects have even won state or provincial awards for their fine quality. In these 5 years, the province won more than 20 awards for its good designs. The building trade has also achieved notable success in scientific research and received commendations from the state, the ministries and the province for 12 scientific research projects.

The reform has promoted the development of the construction workforce. At the end of this year, the state-owned, collective, and specialized building contingents will have a total of 340,000 persons, and the addition of another 600,000 persons from the township and town enterprises in the province will make a grand total of 970,000 persons [figures as published], nearly doubling the number of 1980. The development of the construction industry and the expansion of the construction workforce, like the development of economic diversification in the countryside, will provide many job opportunities for the surplus labor as well as the unemployed youths in cities. The party's policy of opening the country to the outside world and invigorating the economy at home has provided a huge market for the building industry. During the Sixth 5-Year Plan, a 60,000-strong construction workforce in Shandong went to more than 10 provinces and cities in Heilongjiang, Jilin, and Nei Monggol to undertake many construction projects. A team of 2,400 construction workers has also been dispatched to six countries in the Middle East and Africa to undertake 21 construction projects either under contracts or in the form of labor cooperation, and the contracts signed are valued at more than 110 million yuan.

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CONSTRUCTION

PROGRESS OF 9 KEY CONSTRUCTION PROJECTS DESCRIBED

Beijing JINGJI RIBAO in Chinese 16 Dec 85 p 1

[Article by Ji Xuan [6060 1357]: "Spectacular Progress in Nine Key Engineering Projects"]

[Text] Editor's note: Since the CPC Central Committee laid down the policy of concentrating all financial and material resources to ensure the progress of the key construction projects, China has speeded up its construction focusing on the energy, transportation and raw material industries. For the current year, the State Planning Commission has selected a total of 169 key construction projects to be organized on the basis of rational construction periods. Thanks to the common efforts of the construction units, the materials departments, the local governments and the people, the speed of progress and the quality of work are generally above the national average. Today, we will report on the spectacular progress of several key projects so as to equaint the readers with the state of key projects now under construction. [End of editor's note]

1. Hebei's Fengren Power Plant

The No 1 generator of 25,000 kw had its first firing on 29 October. Now it is busy with various preparations for turning on the main switch. Installation of the No 2 generator is currently winding up.

2. Second Phase of Work on Gezhouba Power Station

By the end of October, more than 89 percent of the annual plan for concrete pouring had been completed. The entrance section of the power station in the main channel has been completely surfaced and the top of the dam is now open to vehicle traffic. All 48 swing doors for the work, inspection and repair entrances have been hoisted into position, and the chutes in 14 of them have been tested. The generating sets are now being installed. All nine arc-shape doors for the scouring gates in the main channel have also been installed and the mechnical devices for controlling all 18 of these doors have been hoisted into position. Two of these entrances can be readjusted and tested singly. The concrete work on No 1 shiplock has been basically completed, the installation of the metal structure has begun, and all-out efforts are being made in dismantling the cofferdams in both the upper and lower streams of the main channel. At the worksite, the builders of Gezhouba are now testing the opening and closing of the gates, checking on the quality of work, making adjustments, and conducting intermediate inspections.

3. Hebei's Xingtai Power Plant

Firing of No 1 generator of 200,000 kw was carried out on 30 October, followed by the merging of power grids on 31 October. The main switch was functioning well, and power is being generated in the merged power grids. The system is now waiting to be handed over for use in production.

4. Guangdong's Yunfu Iron-Sulfate Mine

The scope of construction is for an annual ore output of 3 million tons, and the mine is basically completed according to the planned construction period. Among the 26 single-item projects, those of mining and stripping have been completed. The ore-selection and the ore-breaking plants have successfully completed their first trial operation with loads. The narrow-track railway from the mine-site to Liudu and the Liudu wharf are already in operation. The roadbed for a special Yunfu railway of standard track has been basically completed, and the other projects for the maintenance of locomotives, steam-boilers, water and electricity supplies, and communications have also been completed one after another.

5. Urumqi's General Petro-Chemical Plant

The equipment for processing chemical fertilizers in Dahuafei Plant has been completely installed, and more than 15,000 tons of up-to-standard urea has been produced. Now the synthetic ammonia equipment is operating with 75 percent load and the urea equipment is operating with 70 percent load. Production is going on normally. It took only 102 days for this plant in Xianjiang to go into trial operation with load. This is the shortest recorded period for similar equipment using residuum as raw material, and the expenses involved were reduced more than 30 percent.

6. Daqin Railway

This is the year for work to begin on an all-out basis; it is also the crucial year for the construction of the whole railway. From the beginning of the construction to the end of October, 49 percent of stone and earthwork for the roadbed and 50 percent of the designed number of bridges were completed. In building the tunnels, eight openings with a depth of more than 100 meters each for double-tracks were dug out in one month, and the one at the exit end of Huaguoshan tunnel was dug at the rate of 224 meters per month. This was the highest record in building tunnels for double-track railways.

7. Double-Tracking Nan-Tong-Pu Railway

Of the seven sections to be traversed by this railway, five of them are already open to traffic, while rails are being laid in the remaining two sections, according to the current year's plan.

8. Pingshuo Opencut Coal Mine

Since 1 July, when work formally started, 2 million cubic meters of earth, 67 percent of the planned figure, has been stripped. Of the 151 projects related to administration and people's daily life, 80 have been completed.

9. Dalian Harbor's Xianglujiao Bulk Cargo Wharf

According to the scope of construction, the annual traffic handling capacity will be 960,000 tons. There will be two deep-water and two intermediate berths. In the course of construction, Dalian Harbor adopted the system of investment contracts and public bidding as required during the current reform. As a result, the construction periods for the berths to the north and the south of the wharf were shortened by 7 months and 3 months respectively, and the investment was reduced by 20 million yuan.

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YUNNAN'S URBAN CONSTRUCTION DURING SIXTH 5-YEAR PLAN

Kunming YUNNAN RIBAO in Chinese 6 Jan 86 p 1

[Article by Hu Pingying [5170 1627 5391]: "Yunnan's Remarkable Achievements in Urban Construction During Sixth 5-Year Plan Period"]

[Text] With the aid of the governments at all levels, Yunnan has intensified its efforts in urban housing, municipal utilities, environmental sanitation and other infrastructural projects, and increased its investment in urban construction two-fold during the Sixth 5-Year Plan period. The floorspace completed exceeded the grand total of the period from the First to the Fourth 5-Year Plans.

Yunnan increased its investment in urban capital construction every year during the Sixth 5-Year Plan period, and by the 3d quarter of 1985, the investment already amounted to 300,980,000 yuan, more than trebling the amount in the Fifth 5-Year Plan period. In the past 5 years, according to incomplete statistics, the floorspace of new houses in the province totaled more than 13.2 million sq m, exceeding the grand total of 20 years from the First to the Fourth 5-Year Plans by more than 2.18 million sq m. In Kunming, it was estimated that the area of housing construction already completed amounted to 4.8 million sq m, 2.72 times the grand total before the liberation, while the per capita floorspace was increased from 1.4 sq m in 1980 to more than 2 sq m. Housing construction also developed very rapidly in Dali, Gejiu, Dongchuan and other cities, where housing areas or residential groups have been completed one after another. The county towns likewise showed remarkable achievements.

The supply of water for drinking and daily use by the urban population was fairly greatly improved in the past 5 years. During the Sixth 5-Year Plan, many waterworks were put into operation in the cities of Kunming, Dali, Qujing and Kaiyuan, and those of Baoshan, Dongchuan and Gejiu were renovated and expanded. In Qiubei, Weishan, Mouding, Lunan, the frontier towns Menglian and Zhongdian, and nearly 24 other county towns, waterworks were also put into operation one after another. By now, the daily supply of water reached 433,000 tons, an increase of 172,000 tons over 1980, and the residents of some cities and county towns, formerly without or short of water supply are now able to drink wholesome tap water. At the same time, water drainage has also greatly improved in the province.

Another feature of urban construction during the Sixth 5-Year Plan period is the fairly great development of transportation. In 11 cities and more than 100 county towns throughout the province, new roads were built and old roads were widened or improved to varying extents. The total length of city roads in the province in 1985 was estimated to be 470 km, more than 2.2 times the 209 km in 1980. The number of public buses in the cities was increased from 398 to more than 680, and public transportation service was introduced in some small cities formerly without any bus. The number of street lights in the cities was some 16,000 in 1983; at the end of 1985, it exceeded 21,000. From 1983 to 1985, the provincial construction department had little more than 150 refuse trucks, dung trucks and watering trucks in the province; now the number of these trucks has been increased to 230, more than 4 times the number of 1980. Nearly half of the county towns are now using motor vehicles for the disposal of trash, manure, and city wastes.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

IMPORTS, EXPORTS SHOW INCREASE--Beijing, April 17 (XINHUA)--China's imports and exports totaled 14.61 billion U.S. dollars in the first 3 months of this year, a rise of 3.9 percent over the same 1985 period, according to customs statistics. The state Statistical Bureau made public these figures here today. It also announced that the trade volume includes 5.84 billion U.S. dollars for exports and 8.77 billion U.S. dollars for imports, representing increases of 4.3 and 3.6 percent respectively. Between January and March, the bureau said, China imported more goods for production while cutting the imports of consumer goods. With the expansion of tourism as well as construction projects and labor services overseas, China's non-trade exchange income had a surplus of 1.16 billion U.S. dollars in the first 3 months. [Text] [Beijing XINHUA in English 1241 GMT 17 Apr 86 OW]/12766

DOUBLE TAXATION AGREEMENT SIGNED--Singapore, April 18 (XINHUA)--Singapore and China signed an agreement here this afternoon on the avoidance of double taxation between the two countries. It is the second major document between the two countries following an investment protection pact last November, which covers the settling of investment disputes. Hsu Tse-kwang, commissioner of Singapore Inland Revenue, and Jin Xin, director-general of China's General Bureau of Taxation, signed the agreement on behalf of their respective governments. The agreement, which was initiated in Beijing early this month, will remove double taxation and provide concessions for any incentives designed to encourage economic development in both countries. It will become effective after being ratified by both governments. Ending nearly 1 year of negotiations, the agreement covers a wide range of activities and items of income and adequately deals with their tax consequences. It provides that either country would reduce its tax on dividends, interest and royalties received by residents of the other country. A provision has been specially incorporated for the benefits of Singapore entrepreneurs investing in China, whereby any incentives such as exemption from and reduction of tax granted by China in any investments and projects will be given full recognition by the Singapore tax authority. [Text] [Beijing XINHUA in English 1437 GMT 18 Apr 86 OW]/12766

EXPORTS TO HONG KONG INCREASE--Hong Kong, April 11 (XINHUA)--China's mainland exported 1.35 billion U.S. dollars-worth of goods to Hong Kong during the first 3 months of this year, up 48.62 percent over the same period of last year. According to the China Resources (Holdings) Co. Ltd here, exports from the mainland included textiles, grain, handicrafts and animal husbandry, light industry and engineering products. Local experts attributed this in part to improved demand on the Hong Kong market. [Text] [Beijing XINHUA in English 1300 GMT 11 Apr 86 OW]/12766

CSO: 4020/294

XIAMEN'S FOREIGN EXCHANGE IMBALANCE ANALYZED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 9, 5 Sep 85 pp 21-23

[Article by Lin Jianhan [2651 1696 5060]: "Special Policies, Flexible Measures; Inquiry into the Problem of the Xiamen Special Economic Zone's Foreign Exchange Imbalance"]

[Text] With the enlargement of the limits of the Xiamen Special Economic Zone [SEZ], construction has made great progress. In 1984 the gross value of industrial and agricultural output for the entire city reached 1,727 billion yuan, investment in capital construction reached 420 million yuan, and the practice of importing and inviting foreign investment and cooperating domestically has also made good progress. According to statistics, by the end of 1984, formal agreements for projects involving Chinese-foreign joint ventures and cooperative ventures, and wholly foreign owned ventures numbered 152; total investment reached $696 million, of which 383 million is foreign investment. There are 128 signed agreements from 1984, 6 times more than the sum of the previous 3 years. Domestic cooperation enterprises also constantly increase. By the end of last year, domestic enterprises and joint enterprises in Xiamen numbered 119. Along with the acceleration of construction in the SEZ, we must carry out a great number of large-scale construction projects with elevated starting points, introduce advanced foreign technology and equipment to transform old enterprises, introduce foreign investment to initiate new enterprises as well as import the necessary raw materials. These then require large amounts of funds, above all foreign exchange. However, at present the contradiction between using exchange and creating it is very prominent, principally in that there is more spending of exchange than the creation of it. In addition, because the state has strengthened control over foreign exchange this year, exchange investment sources and exchange credit cannot increase very much, exacerbating the problem of balance of foreign exchange. Resolving this problem has thus become a top priority of the Xiamen SEZ.

The causes of the foreign exchange imbalance are multi faceted; they can be summarized as follows:

1. Projects to import advanced technological equipment and transform old enterprises increase daily, such that the amount of foreign exchange needed to maintain equilibrium increases with them. Last year the Xiamen SEZ signed 128

agreements that directly used foreign capital for a total investment of $510 million. As for importing technological equipment to transform old enterprises, in 1983 there were 37 agreements that used foreign exchange totalling $24 million; in 1984 there were 91 agreements that used $47.84 million in foreign exchange; of those, 54 projects that were completed in 1985 used $32.33 million. The preliminary plans for transforming technology in the 3 years from 1985 to 1987 require exchange in the amount of $420 million. Thus if 542 projects are introduced in the 5-year period from 1983 to 1989, they will require foreign exchange funds of $524 million. In these imported projects there is a clear difficulty in trying to sell the products on the international market immediately after going into production; furthermore, some belong to "exchanging markets for technology," while demanding that every project maintain a balance of foreign exchange is impossible. This creates a problem, namely that when more foreign capital projects are imported, the amount of foreign exchange funds required to maintain equilibrium increases correspondingly, and thus it becomes more difficult to balance foreign exchange.

2. Some imported projects must rely upon imported raw materials; in addition, the products are not sold abroad, such that foreign exchange cannot maintain a balance. According to statistics, since 1979 old enterprises importing projects have spent $6.57 million to purchase raw materials and basic machine parts. Some comrades have calculated that in the 5-year period from 1983 to 1987, 542 projects will have been imported in which foreign capital will transform old enterprises, spending a minimum of $500 million for materials. Yet at present only a very small proportion of the imported projects have actually been able to export products and create foreign exchange. For example, the Guliang Island Radio Equipment Plant produces condensers, and every year it must rely on the state to supply $720,000 to import aluminum foil and other products. Even though the condensers could be sold on the international market, because the price is low inside the country the plant is unwilling to export. It spends foreign exchange to import raw materials but cannot create exchange. This is bound to aggravate the foreign exchange imbalance.

3. The products of some Chinese-foreign joint enterprises are sold domestically in great quantities; not only does this not create exchange, but it also requires that large amounts of foreign exchange be spent. For example, the Xiamen Overseas Chinese Electronics Company now buys the basic parts needed for production from a Hong Kong Kang Li subsidiary company and the Matsushita Company of Japan. At the start of 1984 foreign exchange letters of credit reached $2.67 million. According to designed production capacity, by 1985 it ought to be able to produce 500,000 color televisions and 700,000 tape recorders and provide the majority of spare parts itself. The 3 projects together require foreign exchange of $1.2 million. At present, however, products for domestic sale take precedence, and foreign exchange funds cannot be balanced. The Xiamen New Electronics Company has also encountered this kind of problem. At the start of last year foreign exchange letters of credit reached $2.7 million, and no exchange was created. At

present, because basic parts are still not made domestically for Chinese-foreign joint enterprises and definite problems exist in selling the products abroad, it is difficult to balance foreign exchange.

4. The irrational use of exchange is another cause of the inability to balance foreign exchange funds. Last year a large portion of the commodities purchased abroad and sold domestically as well as imports purchased by agent exports using their percentage of retained foreign exchange, were disposable. Moreover, most imported supplementary raw materials are used to produce consumers commodities for domestic sale; that actually used in the production of products capable of increasing exports and generating exchange is very little. Some projects that should not use it do spend foreign exchange, such as an SEZ-operated shoe factory that last year purchased ordinary equipment and materials, eventually spending foreign exchange in the amount of $400,000. Due to irrational and indiscriminate use of exchange, foreign exchange funds cannot be accumulated for use in a certain number of key projects.

To sum up, the reasons that created the inability to balance the Xiamen SEZ's foreign exchange funds are multifaceted. Mainly it is because the pace of the zone's construction has quickened, requiring foreign exchange funds in large amounts. There are currently few ways to generate exchange and there are limits to the amount of exchange. As for foreign trade, when imports are greater than exports there is a large foreign trade deficit. The SEZ is currently in its initial stage of development; a vast number of things remain to be done, and it is not unusual that the foreign exchange funds appear unbalanced. Other export processing zones in the world in the early stages of establishment have all experienced this inability to balance foreign exchange funds. At present the Xiamen SEZ's foreign exchange funds principally must depend on the central authorities and related departments for support. However, the key to solving this problem still rests with the SEZ itself, because in China's experimental special economic zones an important task is to attract foreign exchange and increase foreign exchange reserves in order to strengthen the country's capabilities in relation to foreign economic activity. If even SEZ's are unable to generate exchange and must rely on long-term state subsidies, how can the nation's foreign exchange reserves be built up? Thus we say that resolving the imbalance of the Xiamen SEZ's foreign exchange funds must still be based on Xiamen. By adhering to the principle of utilizing multiple means both for creating and for economically using foreign exchange, the SEZ will achieve a self-balancing of foreign exchange funds in a step by step manner.

Based on the actual situation of the Xiamen SEZ, there are two ways to generate exchange: increasing foreign exchange revenues from trade, and increasing non-trade foreign exchange revenues. Some specific views on these two methods are discussed below.

1. Develop in the direction of foreign trade and vigorously expand exports, especially the use of agent exports outside the plan. This is the basic solution for the Xiamen SEZ's foreign exchange fund imbalance. After the war the Japanese economy was able to achieve rapid development, and one of the reasons was that it adopted "reconstruction through trade" and "exports first"

as national policy. Exports spurred domestic production and introduced advanced technology and equipment, developing the domestic economy at top speed. Other regions in Asia with rapid economic development primarily depend on expanding exports and rely on swiftly expanding exports to support imports. On one hand they make extensive use of foreign technology and equipment to develop exports and generate exchange, and on the other hand the exports that are developing at full speed also sustain the use of foreign exchange. It is worth learning from their methods. We ought to take advantage of the favorable conditions provided by China's current opening up to the outside to further introduce our commodities into the world market. Based on actual circumstances, at present we should emphasize expanding the export of light textile goods, handicrafts and various local specialities in an effort to improve our ability to generate exchange. Practice has proven that vigorously increasing production to export desired commodities, expanding exports and especially developing the use of agent exports outside the plan are extremely successful means of balancing the SEZ's foreign exchange funds. According to statistics from the Municipal Foreign Trade Office, apart from fulfilling the responsibilities of the national and provincial plans for exports, last year $27.2 million in exchange was generated for the SEZ in more than 6 months' time through agent exports. In 1985 the planned exports through agents will be further expanded, and is expected to earn $50 million. This will have a considerable effect on easing the SEZ's shortage of foreign exchange. Xiamen is opposite Taiwan and should take full advantage of this excellent situation to stimulate trade with Taiwan.

2. Focus on developing the tourist industry to increase foreign exchange profits. The tourist services industry, through publicizing the country's scenic and historical places, local conditions and customs, and supplying a variety of services, can attract large numbers of foreign travelers and floating capital, thereby increasing non-trade foreign exchange income. According to relevant data, in 1983 Yugoslavia's foreign exchange earnings from tourism amounted to $1.2 billion, while that for both Egypt and Thailand also exceeded $1 billion. In 1984 even the tiny area that is Hong Kong produced a record HK$ 14.3 billion in tourism revenue. Developing the tourist industry is equivalent to exporting goods and services on the spot; it is a kind of "sightseeing resource export" that does not leave the country. Xiamen Island has long been called the "Garden on the Sea" and enjoys exceptional advantages as a tourism resource. Developing the tourism industry is a strong point of the Xiamen SEZ. Therefore, energetically adopting various measures to promote development of the tourist industry, and attracting even more tourists and floating capital, will surely enable the Xiamen SEX's tourist industry to achieve a breakthrough in foreign exchange income.

3. Organizing labor services and technological exports is another means of increasing non-trade-generated exchange. Supplying labor and technical services is cheaper than exchanging export goods for foreign exchange, and more worthwhile. Energetically developing exports of labor services is an important channel by which to raise foreign exchange funds. According to estimates, Turkey now has 1 million people working outside the country, generating $1 billion in exchange each year for the last 10 years, which accounts for one-third of that country's foreign exchange revenue. So far

this year Xiamen has also obtained definite success in exporting labor services. Since April 1981 it has successively supplied several Hong Kong steamship companies with more than 700 shipping workers for all kinds of jobs, generating more than $1.9 million in exchange for China. Xiamen's exports of labor services, aside from simply exporting labor, can gradually increase contract projects, set up enterprises abroad, and further open markets and expand territories. Operating enterprises abroad can take advantage of favorable local conditions; by setting up processing and assembly enterprises, the products, besides being sold in the local market, can also be exported for the international market. The export of labor is a new enterprise; developing it can certainly create considerable foreign exchange revenue for the SEZ.

4. Organize compensation trade and processing of imported materials. The Xiamen SEZ has many old enterprises. There are 588 on the island, and transforming them requires large amounts of funds. Confronted with the contradiction of insufficient foreign exchange and an unrelenting demand for imports, compensation trade can increase the possibility of satisfying import demand. On the one hand, we could take advantage of compensation trade to import machinery and equipment to transform old enterprises; on the other hand, while industry develops the country in the direction of exporting machine equipment, it also has the obligation to purchase the goods that are produced after this kind of equipment goes into operation. This naturally expands our exports. Furthermore, organizing imported materials for processing and so forth and collecting a processing fee is also a means of increasing the SEZ's foreign exchange revenues.

5. Actively attracting remittances from overseas Chinese is an important source of non-trade foreign exchange revenue. Vigorously expanding overseas Chinese remittances for construction purposes is a particularly important means of securing large amounts of overseas remittances. Xiamen is a well-known native place of overseas Chinese. We should exploit every channel to attract overseas Chinese capital and remittances for contracts to build housing and buy goods and to encourage relatives of overseas Chinese to construct and repair housing themselves. At the same time we can appropriately offer a specified amount of goods and materials as commodity remittances from overseas Chinese, and encourage overseas Chinese to send money to relatives living in China. We should energetically introduce overseas Chinese compatriots to domestic banking interest rates and savings deposits and in this way recall and retain foreign and overseas Chinese capital. In short, there is definite potential for attracting and securing overseas Chinese remittances that we should actively exploit.

There are many ways to approach the problem of Xiamen SEZ's imbalance of foreign exchange funds. Apart from the several methods discussed above to increase the creation of exchange, we can also consider utilizing foreign capital and funds of overseas Chinese, expanding the channels to gather foreign capital by every possible means, and rationally using foreign capital to achieve the best economic results. As for utilizing foreign capital, apart from issuing bonds and stocks, and forming joint ventures, and so on, we could also consider attracting foreign banks, especially large multinational banks that come to establish branches in the Xiamen SEZ. Inviting foreign capital and accepting capital from banks based on overseas Chinese foreign capital are ways of utilizing foreign capital. They can also facilitate relations between the SEZ and international financial circles. In addition we can consider applying for loans that are characterized by low interest rates and long repayment terms. Rationally using foreign exchange addresses Xiamen SEZ's imbalance of foreign exchange funds. There should be a unified plan for the use of foreign exchange that unifies management and applies the limited foreign exchange where it is needed most. The importation of advanced technology must comply with two principles: the first is to be able to earn foreign exchange, the second is to be able to use it economically. In summary, at present most of the limited amount of foreign exchange is used for projects that increase and generate exchange. Great efforts to assist the production of commodities for foreign trade export and strengthen the ability to generate exchange will enable the Xiamen SEZ to gradually achieve a balance of foreign exchange funds.

12895/13104
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SPECIAL ECONOMIC ZONES

EFFICIENCY AS IMPORTANT AS INFRASTRUCTURE IN OPEN DOOR

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 9, 5 Sep 85 p 59

[Article by Guo Nanzheng [6753 0589 1767]: "In Opening Up to the Outside, Take Note of the 'Invisible' Investment Environment"]

[Text] Investment environment usually refers to the basic infrastructure such as roads, running water, electricity, telecommunications, gas, drainage pipes, sewage pipes and the leveling of sites for construction. Basic infrastructure also refers to facilities for everyday services, and the natural geographic environment. These material forms without question provide the basis of opening up to the outside. However, we must recognize productivity and other elements as aspects of an "invisible" investment environment. The degree of efficiency of this type of "invisible" environment is a reflection of the activity and creativity of every level of organization and has a man-made and decisive influence on the construction of the material environment of the opened areas. The opened areas face the world's advanced technology and the international marketplace. They must have work organizations that are knowledge-intensive and highly efficient to enable those familiar with government to mix with those familiar with climate and topographical advantages. Then a strong "magnetic field" can take shape, sufficient to attract persons from every quarter, and by taking advantage of foreign capital we can accelerate the economic construction goals of the coastal areas.

Developed countries consider efficiency their lifeblood and thrive upon competition. Although those who come to China to invest place themselves in different spheres, they still are not free from the fierce competition of the international marketplace. Foreign capital and technology also select the "most favorable position," investing in the area with a superior geographical location, abundant natural resources, a stable society and a large labor force, to make a profit as quickly as possible. Whether efficiency is high or low is the key to the success or failure of investments. Without efficiency, vitality can be lost. The "marathon" workstyle and superior natural conditions become just the reverse, extremely unsuitable and simply causing people to shrink at the sight of it. It may even cause investors to become disheartened and change course. A Hong Kong merchant originally from Fujian who managed an imitation leather business twice visited Fujian but discussions on projects were not completed. Afterwards he was inivted to Shanxi and spent a week discussing and settling the matter of opening an imitation leather plant with advanced technology at Taiyuan. Another overseas Chinese originally from Fujian and known as "the shrimp king" wanted to provide the funds, equipment and technology to catch shrimp in his native place, but numerous talks were unsuccessful. Later he set up a team in Guangxi to catch shrimp. He also went to Dalian and Qingdao to set up cold storage, and he built two guesthouses in Guilin. One can see that different efficiences can have two extremely different results!

There are many overseas Chinese from our province with close ties to various countries. The overseas Chinese who return home to invest and build all have great warmth for their country and native place. The relevant departments should quickly study the feasibility of these projects. Examination and approval should be given as quickly as possible to technological advancement and projects that have good prospects for development. We must give full expression to the high efficiency of "special policies and flexible measures."

Efficiency also follows the continually changing yardstick of technological progress. Because of this, we must adopt advanced technological measures and change every level of organization in favor of highly intelligent and capable offices of brains and computers. Establishing an information network that links up the international markets will enable every policy decision to have a reliable scientific basis, raising productivity in a practical manner.

To create a good "invisible" investment environment, reform of the leadership organizations must be carried out. We must place intelligent and capable personnel from all circles who thoroughly understand their professions in front-line positions. The "invisible" investment environment is extremely important to opening up to the outside world and attracting foreign capital, and at the present we should pay particular attention to it.

12895/13104
CSO: 4006/103

TRANSPORTATION

CAAC TO SPEED UP DEVELOPMENT, MODERNIZATION

HK220830 Beijing CHINA DAILY in English 22 Apr 86 p 2

[By Niu Qiuxia]

[Text] The China Civil Aviation Planning Conference which ended yesterday heard the plans of the Civil Aviation Administration of China (CAAC) for the Seventh Five-Year Plan period. It will further reform its administration, strengthen its top management and improve its economic results, CAAC said.

Major targets for CAAC during the next five years were worked out during the 11-day conference. It was stressed at the conference that the emphasis will be on modernization.

"Civil aviation in China is now at its first stage of development. It is far from advanced," said a CAAC official who attended the conference. "With the growth of our national economy and tourism, the pressure on civil aviation is intensified. To meet the demand, CAAC must speed up its development," he said.

It was pointed out at the conference that airports should be modernized in order to accommodate more and large planes. Airports in cities other than Beijing should improve their facilities to be able to handle planes of at least medium size. CAAC will give priority to the construction of key airports in terms of funds, raw materials and equipment. These airports should also have modern safety facilities and air communication and navigation systems.

In 1985, CAAC bought 41 aircraft, some with international loans or through credit purchase. It also completed the construction of five airports, in Lianyungang, Qinhuangdao, Shijiazhuang, Dandong and Yanji. More than 20 new international and domestic air routes were opened in 1985. The total volume of air transportation increased by 37.8 percent over 1984.

It was decided at the conference that the improvement of equipment at Chongqing, Xi'an and Wuhan will be major projects in 1986. Modern air traffic control systems in five airports including Dalian, Xi'an and Wuhan will be put into use this year.

During the Seventh Five-Year Plan period, CAAC is going to update its aircraft. Modern aircraft will replace the old. Maintenance of aircraft and ground services will be improved.

In order to meet the heavy demand on some major routes, CAAC decided to offer more seats. Scheduled flights to and from the seven tourist centers of Beijing, Guangzhou, Shanghai, Guilin, Hangzhou and Xi'an will be increased.

Available seats for major routes will be increased by 20 percent during the tourist season. CAAC plans to open seven new domestic airlines this year, including Guangzhou-Changzhou-Beijing, Xiamen-Guilin, and Guangzhou-Beihai-Nanning lines.

CAAC noted that even though most major air routes are crowded, seats and space are often wasted because of inefficient management. Ticket-booking is a major problem to be tackled, it said.

/12624
CSO: 4020/299

TRANSPORTATION

BRIEFS

CAAC TO OPEN CHARTER FLIGHT--Manila, Apr 5 (XINHUA)--The Civil Aviation Administration of China (CAAC) will open a charter flight between Manila and Xiamen (AMOY) in east China, it was learned from the CAAC Manila office today. The once-a-week air service will operate for three months from mid-April to June. Xiamen is a special economic zone in Fujian Province where many overseas Chinese came from. The Civil Aeronautical Bureau of the Philippines has recently given its approval to the charter flight. The existing Beijing-Guangzhou-Manila scheduled service inaugurated by CAAC in 1979 remains operational. [Text] [Beijing XINHUA in English 1244 GMT 5 Apr 86 OW] /12624

GUANGXI ZHUANG TO EXPAND FACILITIES--Nanning, Apr 18 (XINHUA)--The Guangxi Zhuang autonomous region will invest a record two billion yuan in port and highway construction in the coming five years, a local official said today. Upon completion, the region will be able to transport cargo from southwest China to Guangdong, and Hong Kong and Macao, the official of the regional transport bureau said. Guangxi's two major ports -- Beijai and Fangcheng -- are being expanded by adding six 10,000 dwt deepwater berths. These berths will go into operation this year. A railway linking Nanning, the regional capital, and Fangcheng will open to service this year and a 104 km railway linking Nanning with Pingguo County, which is richly endowed with nonferrous metals, will be built in the coming five years. Other transport projects being built and expanded in the 1986-90 period include 11 highways and 20 highway bridges, and navigation facilities on the Xijiang River. [Text] [Beijing XINHUA in English 1539 GMT 18 Apr 86 OW] /12624

BEIJING TO IMPROVE HIGHWAYS--Beijing, Apr 16 (XINHUA)--Beijing will build and widen ten roads and rebuild five others this year to ease city traffic jams, BEIJING DAILY reported today. The ten roads include a 52-kilometer section of the Beijing-Shijiazhuan Highway. The five trunk roads to be rebuilt are those linking Beijing with Chengde, Zhangjiakou and Fengning in Hebei Province, Yuanping in Shanxi Province and Tanggu in Tianjin. Upon completion, these highways will facilitate development of Beijing's tourism and satellite towns. The road density in Beijing is 0.54 kilometers per square kilometer, ranking first in the country, the paper said. During the 1981-1985 period, the city built, widened or asphalted more than 1,400 kilometers to add up the total length to 8,482 kilometers at the end of 1985. [Text] [Beijing XINHUA in English 1511 GMT 16 Apr 86 OW] /12624

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China Report

ECONOMIC AFFAIRS

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GENERAL SURVEY ON FOREIGN CAPITAL

Beijing TONGJI [STATISTICS] in Chinese No 1, 17 Jan 86 pp 18-19

[Article by Yin Daren [1438 1129 0117] of the Office of the Industrial Survey Leading Group of the State Council: "Issues Relating to the General Survey on Foreign Capital"]

[Text] Article 3 of the "Statistical Law of the People's Republic of China" stipulates that "Chinese-foreign joint ventures, cooperative ventures and foreign-owned enterprises operating in China as well as state organs, social organizations, enterprises, institutions and individual commercial and industrial households shall provide statistical data in accordance with this statute and government regulations. They shall not falsify reports, cover up, refuse to report or make any misrepresentations." All foreign-owned enterprises in China and Chinese-foreign joint and cooperative ventures must mobilize their relevant personnel to actively gather, organize and supply a full range of data under the unified leadership of their managers or directors in accordance with the "State Council Circular Concerning the Successful Execution of the Second National General Industrial Survey," the "National General Industrial Survey Form" and "Instructions on Completing the National General Industrial Survey Form," both issued by the General Survey of China's Industry Leading Group, and regulations in various lists and documents relating to the survey. They must also make sure the requirement that they fill in the forms and submit them to the authorities is fully and accurately complied with within the specified time.

The above regulations provide that statistical data supplied by foreign-owned enterprises and Chinese-foreign joint and cooperative ventures must be handled by government industrial survey agencies at all levels in the strictest confidence.

The expression--enterprises financed with foreign capital--is an umbrella term. At present it includes seven types of economic organization as follows:

1. Foreign-owned enterprises. Financed by a foreign company, enterprise or individual, approved by the Chinese government and registered in China.

2. Chinese-foreign joint ventures. Financed and managed jointly by Chinese and foreign companies, enterprises or individuals. A joint venture must be

approved by the Chinese government and registered in China. It may be a brand new concern involving Chinese and foreign investments or the expansion or conversion funded by Chinese and foreign capital of an existing enterprise in China.

3. Chinese-foreign cooperative ventures. The contract of a Chinese-foreign cooperative venture spells out the investment shares of the Chinese and foreign partners, the formula by which profits will be distributed, each partner's risks and liabilities and methods of operations. A cooperative venture must be approved by the Chinese government and registered in China. The major distinction between a Chinese-foreign joint venture and cooperative venture is this: in a cooperative venture, the partners' investments and labor contributions, among other things, are not considered shares and their rights and obligations are not determined in accordance with the size of their shares but are laid down in the contract. In other words, in a cooperative venture, the distribution of output, income and profits, the apportionment of risks, and management are all based on the contract.

There is another variant of the Chinese-foreign cooperative venture, namely, cooperative ventures in resource exploitation, which at present means essentially companies in off-shore oil exploitation. Since all Chinese-foreign oil development enterprises are in the prospecting stage at the moment and have not embarked on industrial production, they are excluded from the present general industrial survey.

4. Industrial enterprises wholly owned by overseas Chinese, Hong Kong or Macao businessmen. They must be approved by the government and registered in China.

5. Enterprises jointly financed by a Chinese state-owned unit, enterprise or institution, on the one hand, and overseas Chinese, Hong Kong or Macao businessmen, on the other. Apart from joint financing, the two sides also share management, risks, profits and losses. The ventures must be approved by the Chinese government and registered in China.

6. Joint ventures between a Chinese collective unit and overseas Chinese, Hong Kong or Macao businessmen. These are jointly financed and managed by a Chinese collective unit, enterprise or institution, on the one hand, and overseas Chinese, Hong Kong or Macao businessmen, on the other. The partners share risks, profits and losses. The ventures must be approved by the Chinese government and registered in China.

It should be mentioned that arrangements under which a Chinese enterprise undertakes the processing of imported materials for a foreign (or overseas Chinese, Hong Kong or Macao) investor and compensation trade are not considered a Chinese-foreign joint venture. In those cases, there is no need to complete and submit the foreign capital survey forms. In a processing arrangement, a Chinese enterprise processes or assembles raw materials supplied by a foreign (or overseas Chinese, Hong Kong or Macao) businessman. The finished product is the property of the foreign (or overseas Chinese, Hong Kong or Macao) investor and the Chinese enterprises charges a processing fee. The processing of imported materials is only a form of international trade, a type of economic relations with foreign firms in the realm of circulation which does not affect the nature of the ownership of the means of production of the enterprise in question. Compensation trade involves a Chinese industrial enterprise signing a contract with a foreign (or overseas Chinese, Hong Kong or Macao) firm under which the latter will supply the former with machinery, equipment, materials or patented manufacturing rights. But instead of paying for such purchases with foreign exchange, the Chinese side compensates the foreigner (or overseas Chinese, Hong Kong or Macao businessmen) with products whose manufacture was made possible by the imported equipment concerned or with other products agreed upon by both sides. Compensation trade effects a change in the ownership of the imported machinery or equipment from the foreigner (or overseas Chinese, Hong Kong or Macao businessman) to the Chinese side. The former shall have no right to invest these means of production as capital in the enterprise. Nor will they be able to participate in its management and operations or claim a share of its profits.

All seven types of economic organizations mentioned above are the subjects of the latest general industrial survey. Since enterprises financed by foreign capital are concentrated in special economic zones [SEZ's] and differ from enterprises in the interior in terms of ownership, methods of operations and so on, the general industrial survey on foreign capital should design survey indicators in accordance with the principle of transforming SEZ's into windows to technology, management, knowledge and foreign policy in order to reflect their unique role.

Moreover, as enterprises financed by foreign capital operate within China and make up a part of the Chinese industrial economy, they must be included in the Chinese totality, despite their present minuscule number. For this reason, certain basic indicators which give us a general picture of the overall industrial economy should be included in the foreign capital survey, as long as the data required can be provided by foreign enterprises with or without appropriate adjustments. That way industrial statistical data from different sectors of the economy can be added up and compared. In other words, some indicators in the foreign capital general survey are unique to it while others are common to other sectors in the Chinese economy. We must take a comprehensive approach.

By and large, common indicators include those related to production, sales and inventory; the amount of industrial production equipment and its technical state; the quality of major products; the consumption of raw materials, fuels and energy; inventory and labor, etc. The present general survey on foreign capital has designed two kinds of special indicators. First, under the indicators for registered capital and accumulative capital, an enterprise is required to reveal the amount of investments by the Chinese partner and overseas Chinese, Hong Kong, Macao and foreign investors respectively. Foreign capital is further broken down by country. Correspondingly, the indicator for the distribution of dividends also requires a reporting enterprise to break down the dividends among the Chinese partner and overseas Chinese, Hong Kong, Macao and foreign investors. From these indicators, we can calculate the total amount of foreign capital China has attracted as of late 1985 and identify the countries where most of the foreign capital originates. By analyzing the distribution of dividends, we can further investigate such questions as foreign exchange balance. Second, as far as engineering, technical and managerial personnel (particularly certain senior personnel like chairman and vice chairman of the board, director and deputy director, chief and deputy chief engineers, chief and deputy chief accountants) are concerned, a reporting enterprise will be required to list the number of Chinese personnel, overseas Chinese, Hong Kong and Macao personnel and foreign personnel to reflect the extent to which qualified personnel have been introduced into the nation.

To make the general industrial survey on foreign capital a success, we should skillfully mobilize the resources of relevant local agencies including the tax agency, industry and commerce administration bureau, banks and the labor agency so that every level is involved and knows what it is responsible for. Once that is accomplished, it is possible to gather data on foreign enterprises comprehensively and accurately. This exercise should give us experience in conducting regular surveys on foreign capital in the future.

12581
CSO: 4006/892

NATIONAL POLICY AND ISSUES

WAYS TO IMPROVE STATISTICAL ANALYSIS DISCUSSED

Beijing TONGJI [STATISTICS] in Chinese No 1, 17 Jan 86 pp 16-17

[Article by Li Shilin [2621 4258 7792], bureau chief, Anhui Provincial Statistical Bureau: "Learning from Experience to Improve Statistical Analysis"]

[Text] Why conduct statistical analysis? Because statistical agencies must do more than provide data. Through statistical analysis, they can put forward solutions and fulfill their consultative role in order that leaders at all levels promptly grasp the results and problems of the restructuring of the economic system, the national economy and social development. Moreover, party and government leaders at all levels have asked statistical agencies to produce more statistical analytical materials and horizontal comparative analytical data. My experience is that where agencies do a good job in statistical analysis by developing statistical analytical reports that are timely, relevant and involve important policy issues, local leaders are bound to take statistical work very seriously. Our statistical agencies must try to win the regard and support of local leaders on the strength of their work. Third, the need to come to grips with statistical analysis is also dictated by the nature and functions of statistical agencies, as spelled out clearly in Article 2 of the "Statistical Law." It may be said that statistical analysis is a critical aspect of statistics with Chinese characteristics. For all these reasons, there is no alternative but to master statistical analysis. As to how we can go about achieving that, I want to emphasize the following points:

1. Economic bureau chief and reporting bureau chief. The head of a statistical bureau must be familiar with local economic and social conditions and have a comprehensive understanding of the local economy and its strategic plan. He must also think like an economist. As the chief of an economic bureau, he cannot confine his work to mere reporting. In carrying out his reporting function in the future, a statistical bureau chief, wherever he may be located, must shed light on the economic situation besides reporting raw data per se. His economic knowledge, or lack of it, should be an important criteria in assessing his competence.

2. Getting personally involved and issuing orders and instructions. A leader must not content himself with issuing orders and instructions. He must

personally tackle statistical analysis. By "personally tackle," I do not mean that he himself writes every single page of a statistical analytical report. I mean that he assists subordinate comrades to select topics, gather materials and do research and personally participates in the organization of the project to see that it is well executed. A provincial statistical bureau works this way. The director helps the various offices select topics and the office heads take the lead in writing the reports. The office of the director then calls a meeting to revise the reports, but the finalization of the reports is the responsibility of the leaders of the bureau. This approach is highly effective. As long as leading comrades understand economics, they are equipped to play a personal role.

3. Putting special people in charge and specialization. Statistical analysis requires a division of labor in which everybody knows exactly what he is responsible for. The Anhui Statistical Bureau uses a combination of comprehensive offices and specialized offices. In the former, special people are put in charge of comprehensive analysis. Specialized analysis, on the other hand, is primarily the concern of the specialized offices. Judging from the bureau's experience for more than a year, if we are to make statistical analysis a success, we must specially assign statistical analysis to a number of people in comprehensive offices who will keep a constant eye on what party and government leaders at all levels are thinking in light of the party's shifting central functions and what information they need, and help the bureau leadership come up with ideas and select topics. Only thus can we produce statistical analytical reports that are topical, relevant and involve important policy issues efficiently and expeditiously.

4. Strengths and weaknesses. The strength of statistical agencies is that we possess a wealth of statistical data unmatched by that of other agencies. As for weaknesses, we have less current case studies than other line agencies. How can we exploit our strength to offset our weakness? To my mind, these are the major methods. First, we should refine the statistical data we have in hand to improve its utilization rate. This potential must be tapped to the full. Second, existing statistical data sometimes cannot meet the policy-making needs of leaders at various levels as well as those of different social quarters. Therefore we must delve deeply into the grassroots and step up research and investigations to obtain first-hand materials. Survey methods such as sample survey, representative survey and targeted survey can also be used to obtain data to make good our weakness. The provincial bureau wrote a number of analytical reports this year, most of which have been adopted by the leaders and relevant agencies. But when we got around to discussing and examining the materials in each report, we were invariably struck by the absence of current, representative materials and the superficial treatment some topics received. The reports barely scratched the surface, giving the skimpiest of information, and contained little in the way of detailed analysis.

5. Quantity and quality. To improve the quality of statistical analysis, we must take pains to do the following for a start. First, topic selection should stress three characteristics, namely, that it be timely or topical and relevant and involves important policy issues. Second, progress analysis must go hand in hand with functional analysis and comprehensive analysis. When

progress analysis has been put on a sound footing, we should do more special analysis. Localities with the necessary resources should develop more statistical analytical materials reflecting macroeconomic conditions. Third, there should be a shift in the substance of analysis from growth-related matters to those that mirror economic results. Fourth, the old emphasis on local conditions should be reduced in favor of horizontal comparative analysis. Fifth, statistical analysis essentially has been of the type which records the past. Today we must diversify into predictive analysis. As far as the provincial bureau is concerned, only by drastically trimming the amount of "after-the-event" statistical analysis can it devote its resources to improve the standard of statistical analysis.

In stressing statistical analysis, we are not suggesting that basic statistical work can be ignored. Statistical data is the bread and butter of statistics and a prerequisite for statistical analysis. Without accurate data, decent statistical analysis is out of the question. We must balance the relations between the two and not over-emphasize one at the expense of the other.

6. Comparison and exchange. To promote the development of statistical analysis, year-by-year comparative studies are indispensable. But we should be even more concerned to produce high-quality data during the year. The comprehensive office of the provincial bureau should take it upon itself to disseminate horizontal and vertical economic information without delay, conduct studies on certain topics to satisfy reference needs and provide individualized guidance to expedite the development of this aspect of its work.

7. The pioneer and the professional. In accordance with the party's cadre policy in the new era, we must nurture and promote a host of statistical cadres who are the innovative type. Politically, these cadres must firmly adhere to the party's line, principles and policies since the 3d Plenum of the 11th CPC Central Committee, keep in line with the Central Committee politically and insist on seeking truth from facts. Second, they must apply themselves to studies, be modest, prudent, honest and upright, cooperate with other comrades, have the courage to overcome difficulties and innovate and try in every possible way to effect a breakthrough in statistics. Third, they absolutely must not imitate others' actions and follow the crowd thoughtlessly. Nor can they be boastful types who forsake their principles. As professionals, they must have extensive learning and understand various aspects of the national economy and society. They must have a brushing knowledge of all disciplines, including logic, literature and history, and regularly update their statistical expertise. In addition, I must emphasize that statistical comrades, especially statistical analytical comrades, must have good writing skills; they must be able to write coherent sentences in clear language with correct punctuation.

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NATIONAL POLICY AND ISSUES

MINISTER ASSESSES PROBLEMS IN CURRENT ECONOMIC WORK

HK211313 Beijing LIAOWANG in Chinese No 14, 7 Apr 86 pp 9-10

[Article by Lu Dong [0712 2639], minister in charge of the State Economic Commission: "Several Problems To Be Noted in Current Economic Work"]

[Text] Doing a good job in our economic work this year, the first in the Seventh 5-Year Plan, is of great importance. Since spring began, spring farming has been gradually carried out from the south to the north. In the first 2 months, the industrial output value rose by 3.4 percent over the same period of last year. Production of major raw materials and marketable products increased and there was a greater increase in electrical energy production, which was 7.5 percent more than in the same period last year. The market was brisk and stable and the supply during the Spring Festival and the Lantern Festival was guaranteed. Tasks for transport and communications work were comparatively well fulfilled. On the whole, the situation was good.

Last year, by adopting macroeconomic control measures, the excessive rate of growth that had appeared in industrial production was gradually controlled. As was expected, the growth rate for the first 2 months of this year was lower than in the same period of last year. However, there are great differences between different areas. The growth rates of 11 areas were lowered than the national average, and some of these areas even had a drop compared with the same period of last year. There are many reasons for this. We must strengthen investigations and studies and conscientiously solve relevant problems.

During my investigation in Shandong recently, I learned something about the situation, and I would like to offer my opinions on the above problems.

First, it is necessary to continue to do a good job in various fields, with raising economic returns as the focal point. At present, some localities and enterprises are apprehensive that their income may be affected and their expenditure and the supply in the market may not be guaranteed if their production is not speeded up. What they are thinking is correct. However, they must keep calm and must prevent the reappearance of such penomena as manufacturing in a rough and slipshod way and neglecting economic returns in order to pursue high speed. In this respect, we have had profound lessons. As a matter of fact, the economic returns of some enterprises dropped in the first 2 months. We must be alert about this. At present, in order to promote industrial production, it is necessary to center our efforts on raising economic returns, integrate economic returns with speed and stamina, and greatly increase the production of marketable, name-brand, and high quality products. It is necessary to strengthen enterprise management and make continuous efforts to improve product quality and reduce material consumption.

Second, it is necessary to firmly and unswervingly carry out experiments on implementing the system of the plant director (or manager) assuming full responsibility. The decision of the 3d Plenary Session of the 12th CPC Central Committee on reform of the economic structure clearly points out that this system should be practiced in enterprises. At present, experiments in this respect are being carried out in more than 27,000 enterprises throughout the country. The general situation is good. Practice shows that implementing the system of the plant director (or manager) assuming full responsibility is conducive to changing the state of being slow in making decisions, low efficiency, and no responsibility in directing production, to a clear division of work between the party leadership and enterprise administration, to strengthening ideological and political work, and to strengthening democratic management and the position of the staff members and workers as masters of their own houses. We must resolutely implement the decision of the 3d Plenary Session of the 12th CPC Central Committee and the 10 regulations of the State Council on expanding the decisionmaking power of the enterprises, and firmly and unswervingly carry on the experiments on implementing the system of the plant director assuming full responsibility. Plant directors of the experimental enterprises have the authority to appoint and remove lower-level cadres. Of course, when this is done, they must consult with the masses and follow the mass line.

We must also realize that the implementation of the economic responsibility system in the enterprises as soon as possible is a great matter that concerns the fulfillment of this year's production plan. At the end of last year, due to the change in the wage system, some bonuses were appropriated. This had quite an influence on the implementation of the economic responsibility system in enterprises. According to the current regulations, the following four measures seem to be feasible: 1) endeavoring to raise economic returns so that more profits may be retained after tax payment; 2) making great efforts to reduce material consumption so that a great quantity of material resources can be saved for the state; the staff members and workers may also be rewarded for this; 3) increasing exports to earn more foreign exchange so that the enterprises producing export goods may also get more bonuses from this, and 4) allowing a certain amount of funds needed for wage adjustment this year to be included in production costs. If these measures are taken, it will be possible for us to solve the problem of funds while implementing the economic responsibility system in enterprises. The leaders at various levels must explain all these favorable conditions to the masses of staff members and workers so as to pool their wisdom and efforts and give full play to the role of the economic responsibility system. At the same time, it is also necessary to prevent the occurrence of phenomena such as appropriating the funds for developing production and reducing those for technological transformation used for bonuses.

Over the past few years, since mandatory planning has gradually been reduced while guidance planning has been strengthened, and since both purchases and sales through the market have been greatly promoted, the economy as a whole has been enlivened. However, some unhealthy trends have appeared at the same time, and these should be resolutely checked. In the current party rectification and examination carried out in grassroots enterprises, since a clear line of demarcation is now drawn between normal business activities and unhealthy trends, some salesmen and purchasing agents dare not carry out their work actively for fear of making mistakes. This is also a major problem affecting the current production. Before unified regulations are worked out for the whole country, all provinces can work out some regulations in light of their different conditions to distinguish between the normal business activities of the enterprises in accordance with the demand of the planned commodity economy and unhealthy tendencies and between the requirements for party and government organizations and those for economic entities. In short, it is necessary to guide the enterprises to develop healthily while at the same time making things favorable for opening up and reinvigoration, so as to meet the demands of the new situation.

The insufficient circulating funds problem is a prominent issue facing the enterprises in organizing production. The main reason is that although production has developed, the circulating funds have not increased accordingly. Of course, some problems, such as letting the funds lie idle and being in arrears with repayment of loans, have been caused due to improper management. In order to solve this problem, the state has adopted measures to appropriately increase the circulating funds. It is necessary to support those enterprises which are producing marketable products and support the production of products needed by the market. But for those which have been in arrears with repayment of debts for a long time, the bank must help them settle accounts. Meanwhile, the enterprises must also strengthen management over funds and use them in a reasonable way so that idle funds may be reduced and circulation may be speeded up.

A big problem in organizing production this year is to enhance the capability of enterprises in producing export goods so that more foreign exchange may be procured. In order to encourage exportation, the state has worked out some policies and measures. They have been widely accepted by the enterprises. It seems that when these policies are well implemented, the initiative of local and productive enterprises in producing more export goods to procure foreign exchange can be further mobilized. The problem at present is how to promote relations between the production enterprises and the foreign trade enterprises. While having different tasks in their work, both sides must support each other and exchange information with each other in order to take coordinated actions to promote foreign trade. The former should promote production and pay attention to quality and the latter should grasp marketing and promote business. Under the principle of mutual benefit, both sides should promote their horizontal associations. If conditions allow, experiments can be carried out in some areas in this respect so as to acquire experience.

In agriculture, it is necessary to pay close attention to pig-raising at present. According to a report by 38 information points in Shandong Province, due to a sharp increase in the prices of corn and dried sweet potatoes, both pig-raising and alcohol production have been affected. Recently, in the countryside of Yantai, Qingdao, and other cities, there appeared a trend of killing sows, but relevant measures have already been taken to stop this.

Of the 113 breweries and 2 alcohol plants in this province, some have had to cease production due to a lack of raw materials. This merits our serious attention, for it may bring about harmful effects on next round of pig-raising as well as chemical and pharmaceutical production.

In order to promote the economy and reform, the state has worked out some new policies and measures since beginning of this year, such as vigorously encouraging horizontal economic associations of the enterprises; encouraging the production of chemical fertilizer by exempting them from taxation, reducing prices, and offering subsidies; encouraging export and procuring more foreign exchange; giving more rewards for conserving energy resources and raw materials; increasing domestic oil supply; and appropriately easing the money market. These policies and measures are favorable for organizing production this year. All areas and departments must firmly grasp the implementation of policies and strengthen investigations and studies so as to effectively help the enterprises solve their problems.

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WUHAN MAYOR GIVES GOVERNMENT WORK REPORT

HK240118 Wuhan CHANGJIANG RIBAO in Chinese 19 Mar 86 pp 1, 2

[Government work report given by Wuhan Mayor Wu Guanzheng at the fourth session of Seventh Wuhan City People's Congress on 10 March 1986--passages within slantlines published in boldface; passages within double slantlines published in italics]

[Text] Deputies:

Entrusted by the City People's Government, I am going to deliver its work report for your examination and discussion.

I. [Roman one] On the Work in 1985

In 1985, we followed the CPC Central Committee's decision on the reform of the economic, scientific, technological, and educational systems and the instructions given by central leading comrades when they made an inspection visit to Wuhan. Under the leadership of the provincial CPC Committee and people's government and the city CPC Committee and the guidance of the State Commission for Restructuring Economic System and other relevant ministries and commissions of the State Council, and in accordance with the resolution on government work by the third session of the Fourth People's Congress of our city, together with the people all over our city, the city government always gave first priority to the reform, persisted in grasping the two civilizations simultaneously, and consolidate and developed the fine situation that has emerged since the 3d Plenary Session of the 11th CPC Central Committee. The comprehensive economic structural reform developed while being consolidated, our enterprises were invigorated, the role of the regulation of our market mechanism was given better play, vertical economic relations were greatly strengthened, the diverse functions of our city were brought into increasingly clear play, and the requirements for the "victory of the initial battle" was in the main satisfied. Our national economy developed steadily and we have already overfulfilled the Sixth 5-Year Plan in an all-round manner. The construction of our city made relatively quick progress, our market was prosperous with a plentiful supply of materials and goods, and our people's living standard continued to improve. Our construction of socialist spiritual civilization continued to be intensified and new ideas, thoughts, and lifestyle emerged. The people all over the city were high spirited and vigorous, carried out struggle in unity, persisted in carrying out the reform, and had increasingly rising initiative to carry out the four modernizations program. In short, the year 1985 was a year in which the development of our city's comprehensive economic structural reform deepened; in which our national economy achieved sustained, harmonized, and steady development; in which the people's living standard improved; and in which new progress was made in building our spiritual civilization.

/1. A brave first step was taken in our reform./ In carrying out our reform last year, our city implemented the principles of enlivening our economy at home and opening up to the outside world and regarded as its major tasks establishing a socialist economic system filled with vitality and vigor, vigorously developing the planned commodity economy, and giving full play to the diverse functions of the city. It opened wider the gates of its three towns, invited people in other areas to come to our city to do business and took the initiative to send people to other areas to widely develop horizontal economic relations, arranged the work to unblock the circulation between urban and rural areas and between our city and other cities, and developed the economy on Chang Jiang-Han Shui Plain and the Chang Jiang Valley. While making breakthroughs in unblocking the circulation of goods between urban and rural areas and between and among cities, the city enlivened its enterprises, gave impetus to the development of its production, and augmented its economic strength. On the basis of enlivening its commodity market, it vigorously developed its tertiary industry and heightened the city's attraction, influence, and capacity of comprehensive service. While applying economic levers in an all-round and coordinated manner and paying close attention to microeconomic stimulation, it improved its macroeconomic control. It paid attention to the continuity of its reform and to making various measures of reform coordinate with one another and form a full set and thus pushed forward the reform, made the reform develop relatively healthily, and achieved results better than expected. The above was mainly reflected in the following:

//Vigorously develop horizontal relations and promote the development of the commodity economy.// Developing horizontal relations is an important task in giving play to the functions of our city and is also an objective demand resulting from the development of our commodity economy. In the light of our city's economic and social development strategy and its position in the country as a whole, our city decided to develop "five levels" of horizontal relations to combine our urban areas with rural ones, serve the whole province, facilitate the circulation of commodities in Central China, and carry out cooperation at home and abroad. Our enterprises and their responsible departments have all widely developed horizontal economic relations outside the enterprises and outside the city in the light of the needs in their production and operation. The city has set up the Changjiang-Hanshui Economic and Technological Coordination Association together with other cities. developed cooperation with the cities along the Chang Jiang, and sent people to make inspection tours and discuss projects of cooperation and counterpart aid in Qinghai and Sichuan Provinces. Over the past year, our industrial enterprises have organized 648 combines and cooperative networks in which over 2,000 enterprises participate. In our city's metallurgical industrial sector, 11 enterprises were formally merged with the Wuhan iron and steel complex in order to give play to the large enterprises financial and technological advantages and positive role in promoting the development of local metallurgical industry. Our city has signed contracts for over 1,900 projects of cooperation with other areas in the country to draw in over 167 million yuan of funds and over 2,600 people of various talents from them. It has also employed a number of retired foreign specialists to work in Wuhan. The scope of recruitment has now been extended from West Germany to Japan, the United States, Canada, and Britain and over 1,000 specialists had been recruited from these countries. As our horizontal economic relations developed, the circulation channels continues to become unblocked. The city has reorganized and prefected its wholesale commercial system, stimulated its market of consumer goods, and initially established a wholesale network that links its urban and rural areas. It gradually opened up its market of means of production. On the basis of the four trade centers for metals, chemical industrial goods, mechanical and electric products, and building materials and the coal warehouse that it had already established, it set up six other markets of means of production related to timber, vehicles, and other goods and thus initially set up its network for the circulation of materials and goods. It continued to expand and perfect its technological market and one by one set up four markets for the trade of comprehensive and professional technology. Even in its suburban counties, firms that dealt in technological commodities were set up and the volume of the trade in technology continued to increase. At the same time, it vigorously opened up its labor service market and quickly developed the various forms of paid service such as the provision of labor service by contracts of tenders and all-round responsibility contracts. Rural construction teams consisting of 120,000 people came to Wuhan from other areas to undertake responsibility contracts of capital construction and tasks of maintenance. Our city's construction and designing contingents also left our city to provide service for 52 counties and cities in 10 provinces and the 4 special economic zones. The city also strived to open up its funds market and experimented in raising funds inside its enterprises and from among the community, thus promoting its economic and social development.

//Vigorously develop horizontal relations and promote the development of the commodity economy.// Developing horizontal relations is an important task in giving play to the functions of our city and is also an objective demand resulting from the development of our commodity economy. In the light of our city's economic and social development strategy and its position in the country as a whole, our city decided to develop "five levels" of horizontal relations to combine our urban areas with rural ones, serve the whole province, facilitate the circulation of commodities in Central China, and carry out cooperation at home and abroad. Our enterprises and their responsible departments have all widely developed horizontal economic relations outside the enterprises and outside the city in the light of the needs in their production and operation. The city has set up the Changjiang-Hanshui Economic and Technological Coordination Association together with other cities, developed cooperation with the cities along the Chang Jiang, and sent people to make inspection tours and discuss projects of cooperation and counterpart aid in Qinghai and Sichuan Provinces. Over the past year, our industrial enterprises have organized 648 combines and cooperative networks in which over 2,000 enterprises participate. In our city's metallurgical industrial sector, 11 enterprises were formally merged with the Wuhan iron and steel complex in order to give play to the large enterprise's financial and technological advantages and positive role in promoting the development of local metallurgical industry. Our city has signed contracts for over 1,900 projects of cooperation with other areas in the country to draw in over 167 million yuan of funds and over 2,600 people of various talents from them. It has also employed a number of retired foreign specialists to work in Wuhan. The scope of recruitment has now been extended from West Germany to Japan, the United States, Canada, and Britain and over 1,000 specialists had been recruited from these countries. As our horizontal economic relations developed, the circulation channels continued to become unblocked. The city has reorganized and perfected its wholesale commercial system, stimulated its market of consumer goods, and initially established a wholesale network that links its urban and rural areas. It gradually opened up its market of means of production. On the basis of the four trade centers for metals, chemical industrial goods, mechanical and electric products, and building materials and the coal warehouse that it had already established, it set up six other markets of means of production related to timber, vehicles, and other goods and thus initially set up its network for the circulation of materials and goods. It continued to expand and perfect its technological market and one by one set up four markets for the trade of comprehensive and professional technology. Even in its suburban counties, firms that dealt in technological commodities were set up and the volume of the trade in technology continued to increase. At the same time, it vigorously opened up its labor service market and quickly developed the various forms of paid service such as the provision of labor service by contracts of tenders and all-round responsibility contracts. Rural construction teams consisting of 120,000 people came to Wuhan from other areas to undertake responsibility contracts of capital construction and tasks of maintenance. Our city's construction and designing contingents also left our city to provide service for 52 counties and cities in 10 provinces and the 4 special economic zones. The city also strived to open up its funds market and experimented in raising funds inside its enterprises and from among the community, thus promoting its economic and social development.

//An important step was taken in the city's price and wage reforms.// In accordance with the arrangement of the central authorities, in our price reform we adhered to the principle of "combining decontrolling prices with readjusting prices and making progress slowly step by step," and looked around before taking a step forward. In 1984, we decontrolled fish and vegetable prices, and in 1985, we decontrolled prices for the purchase and sale of pork, readjusted grain purchase and sales prices and the prices of eggs and some other products in our rural areas, and raised the prices for short distance railway transport. In carrying out our price reform, we took into account the city's financial capacity to undergo the reform, the enterprises' capacity to absorb the price rises, and the masses of people's endurance of price rises, and paid attention to controlling the general price level. The city adhered to the principle of both relaxing and exercising its control over prices and combining relaxation of control with exercise of control, earnestly strengthened administration and guidance, and kept the city's price index within the range stipulated by the central and provincial authorities. It imposed state unified prices on the necessities for the people's livelihood that are vital to our state's plans and people's livelihood and the commodities in short supply in the market. It acted very prudently in readjusting the prices of the important commodities and noncommodity charges that had widespread impact, that were relatively sensitive and that were apt to cause fluctuations in our market. In regard to the goods for which prices rose sharply, the city restricted their sale prices, or sold them at prices lower than purchase prices and subsidized the losses of the sellers. In regard to the commodities for which the prices were decontrolled, we implemented regulation by the market to strike a balance between supply and demand. We allowed free pricing of goods in short supply. We established a price administration contingent consisting of both full-time and voluntary workers, promulgated provisional regulations to strengthen price administration in our market, and frequently checked the prices of goods. At the same time, we paid attention to giving play to the role of our state commercial sector as the main channel of commodity circulation, adhered to the principle of "making preparations to decontrol the prices of quite a few kinds of goods and to decontrol them one by one," grasped the sources of supply, readjusted the quantities of supplied, and restrained price rises. Our price readjustment promoted the development of production, the people's income rose. The per capita income of the families of our urban residents increased quicker than price rises. In 1985, the per capita monthly income for living expenses of the families of our city's urban residents reached 60.53 yuan, an increase of 20.6 percent or of 8.6 percent after deduction for inflation over the preceeding year. We increased the funds allocated for subsidies and relief for low-income families and people who relied on the society for their livelihood, readjusted the standards for their food, and thus increased the subsidies for their living expenses. The price reform in the city as a whole made smooth progress. Clear achievements were scored in the reform and our price system tended to be gradually straightened out. While carrying out price reform, we conducted wage reform. In the latter half of last year, we began to implement a new wage system in our state organs and institutions and thus gradually solved the problems of renumeration not being linked with the nature of the work and work duties not matching the posts. Experiments with reform in the wage system in our enterprises were also underway.

//We intensified our indirect control and continued to combine macroeconomic control with microeconomic stimulation.// Last year, we applied economic and legal means to manage our economic work and adopted necessary administrative means to regulate the operations of our economy. In this way, we made conscientious efforts to improve our macroeconomic control. We established coordinated mechanisms to apply economic levers in an all-round manner. Every month, we held an economic activities analysis meeting to make a comprehensive analysis of the issues of macroeconomic control and microeconomic stimulation throughout the city and find points on which to jointly focus our efforts and give play to the regulatory role of our economic levers and thus not only controlled the city's economic activities within the scope allowed by our macroeconomic control, but also enabled the city's economic activities to acquire increasingly great vitality on the basis of the existing foundation. In controlling the scale of investment in our fixed assets, we implemented a responsibility system geared to leaders, ceased to give any approval to new projects, adopted measures such as assigning all-round responsibility for the amount invested in a project, and thus freed funds to ensure the construction of key projects. In the credit sphere, we provided credit strictly in accordance with the mandatory targets, readjusted our loan composition, organized interbank lending among our banks, improved the economic results of employing credit funds, and basically satisfied the requirements for effectively and satisfactorily controlling our credit. We strictly kept foreign exchange spending within the amounts approved for the projects, abolished a number of projects that lacked the necessary conditions and for which we did not have enough foreign exchange to carry out and thus eased our foreign exchange shortage. We controlled the total volume of our consumption funds, appointed people to specialize in passing down our instructions, flexibly readjusted spending by various units, refrained from pursuing "uniformity," strengthened our auditing supervision, and thus succeeded in controlling our consumption funds within a rational range. We reduced the readjustment taxes for our large and medium-sized enterprises which earned high profits but were allowed to retain only a small percentage of their profits, raised the rate of our depreciation of fixed assets, and thus created external conditions for stimulating our enterprises. We restricted the supply of electricity, fuel, and materials for the enterprises that produced poor quality products or ordered them to suspend their production and reorganize and thus promoted the readjustment of our product mix. We promulgated 46 economic rules and regulations, which played a relatively satisfactory role in improving our macroeconomic management. While gradually establishing a system of indirect control, we tried to separate the functions of our government from those of our enterprises and thus changed the functions of our government in administering our economy. Since the establishment of our city commerce committee, we reduced the levels of management, severed the direct economic relations between our government departments and our enterprises and thus intensified the administration over commerce and markets throughout our city. The city machine-building industry administration switched from administering enterprises to administering the industry, from managing enterprises as its subordinates to exercising unified administration, and from exercising microeconomic control to exercising macroeconomic control and thus scored initial achievements. The first Bureau of Light Industry in our city took the lead in reforming the administrative companies under it and thus reduced the levels of administration and stimulated our enterprises.

//We continued to readjust our rural production mix and promoted the development of our rural production.// The suburban counties of our city acted in accordance with the principle of "serving the city, making rural areas rich, stimulating the market, and providing conveniences for the mass of people," proceeded from reality, maintained the order of priority--first, cultivation; second, animal husbandry; and third, processing industry; returned farmlands to lake and forest areas in a planned manner, relatively sharply increased the area of land for diversified undertakings such as forestry, fruit production, and fishery, vigorously developed fish farming and animal husbandry, and gradually harmonized the major proportional relations in our agriculture. We made relatively quick progress in developing our secondary and tertiary industries and a new situation in developing agriculture, forestry, animal husbandry, sideline undertakings, and fishery in an all-round manner and coordinated agriculture, industry, commerce, transport, and construction operations began to emerge.

//New progress was made in the reform in our scientific, technological, and educational systems.// We focused the reform on our scientific and technological funds allocation system, implemented the practice of charging those who used the achievements of scientific and technological research fees, opened up a technology market, combined scientific research with production, heightened our enterprises' capacity for assimilating and developing technology, reformed the system for managing professional technological cadres, and established city and district scientific and technological development funds and corresponding procedures for managing these funds. Concerning the reform in our educational system, we established a new system of leadership and administration over our educational undertakings, gave play to the initiative of all sectors in developing education, continued to readjust the composition of our secondary education, quickly developed our vocational and technical education, and scored achievements in reforming local tertiary education and adult education.

//The pace of reform accelerated in our city districts.// As our economic structural reform deepened, we developed our financial powers and set up financial systems at the district level. We expanded the power of our district governments in administering their retail commercial sectors and in setting up additional retail shops. We developed some of the power for administering urban construction and initially set up a dual-level responsibility system consisting of the city and district levels. We continued to give play to the initiative of our city districts in building and administering the city and promoted the construction of our spiritual civilization and the development of the economy in our districts and streets.

We also scored substantial achievements in other fields of reform.

/2. The reform gave impetus to sustained, stable, and harmonized development of our national economy./ Our city's aggregate social product amounted to 21,234,000,000 yuan, 14.9 percent more than that in 1984; its GNP was 10.2 billion yuan, 12.2 percent more than that in 1984; and its gross national income was 7.867 billion yuan, 13 percent more than in 1984.

//Our city achieved a sustained and stable growth in industry.// In 1985, the city's gorss industrial output value (including the output value of villages and production teams) amounted to 16.312 billion yuan, an increase of 14.6 percent compared with last year; the realized before-tax profits of the industrial enterprises owned by the whole people that are accounted for in our budget, totaled 2.384 billion yuan, an increase of 27.6 percent; and the tax payments and profit delivery totaled 660.18 million yuan, an increase of 17.7 percent. Product quality improved and our city's industrial products won 2 gold medals and 12 silver ones. Among these products 62 were designated by ministries, and 135 were designated by the province, as fine quality products.

//Our communications and telecommunications and post undertakings continued to develop.// The volume of passenger freight totaled 8.95 billion person-kilometers, a rise of 12.3 percent over last year; and that of cargo freight totaled 38 billion metric tons-kilometers, a rise of 6.7 percent. The number interprovincial passenger road transport lines rose to 37 and both the number of trips and the number of passengers crossing the provincial border daily doubled compared with last year. The volume of post and telecommunications business rose by 18.8 percent compared with last year.

//A good harvest was reaped in our agriculture.// Our grain output was 1,624,000 metric tons, that of cotton was 44.800 metric tons, and that of oil-bearing crops was 49,850 metric tons, respectively being close to or surpassing historical highs. The output of fresh fish totaled 55,000 metric tons, setting a new record. Both the output of milk and the number of hogs slaughtered rose relatively sharply. The gross agricultural output value was 1.209 billion yuan, 7.6 percent greater than in 1984.

//Our market prospered and our foreign trade expanded.// The retail sales of social commodities totaled 5,089 billion yuan, a rise of 32.9 percent compared with 1984. The retail sales of food, clothing, and daily use articles all rose. Trade was brisk in our market fairs in our urban and rural areas, the supply of fresh and live commodities rose in our market and their quality improved. Our city had trade relations with over 30 countries and regions. It earned $52.64 million in foreign exchange through exports, concluded contracts for the use of $21.59 million in foreign capital, and thus took an initial step toward becoming an open port.

//Local finances were balanced with some surplus.// Last year, we overcame the malpractice of overstating expenditures, reduced the city's financial burdens, and solved the problems left over from the past. The actual revenues of our local finances reached 2.389 billion yuan, an increase of 27.7 percent compared with 1984 or 17 percent in terms of items. Actual tax revenues totaled 1,902,890,000 yuan, an increase of 20.9 percent in terms of comparable items and much greater than the increase in production. The city withdrew 650 million yuan of currency from circulation, setting a new record in this sphere.

/3. People's living standards continued to improve on the basis of our economic development./ In 1985, the per capita wage income of our city's urban staff and workers rose by 15 percent over 1984. The per capita income of the rural people in our suburban counties rose by 38 yuan over 1984. The city provided 53,644 job opportunities to urban job-awaiting people. Urban people's bank deposits totaled 1.557 billion yuan, 37 percent more than in 1984; while the rural people's bank deposits totaled 230 million yuan, 41.7 percent more than in 1984.

While the income of our residents' families was rising, their living and housing conditions also improved. The city government basically finished doing the 22 things that it promised to do in 1985. It initially completed the construction of the Yellow Crane Tower and the Wuhan Zoo and opened them to the public. It began construction of eight new urban residential areas and projects to transform nine old urban areas. The area of residential construction completed in the city totaled 2.03 million square meters. A group of tall buildings were built one after another. Some of the 10 planned commercial streets began to take shape. The construction of all seven roads we planned to build was completed. The two tunnels leading to Yue Hu and the Yellow Crane Tower in Hanyang and the two pedestrian overpasses on Jianghan Road and Liuduqiao were finished. Our city initially transformed 292 small streets and started the second stage of the project to harness the Huangxiao He. The project to deal with the pollution of the Dong Hu was underway and pollution was overcome in 218 rivers. The city established 11 new bus and trolley bus lines, and built or rebuilt 86 public toilets and 251 septic tanks. It planed 770,000 trees in its urban areas and solved the problem related to the supply of potable water for 320,000 rural people. Through the efforts made in the Sixth 5-Year Plan period, the city in the main eased the water supply situation in its urban areas.

/4. Our city made new progress in building its spiritual civilization./ It carried out diverse forms of education in ideals all over the city, launched the campaigns of "Love Wuhan, build Wuhan, and reinvigorate Wuhan," "Discover bright spots of communism around us," and striving to become "civilized citizens." It vigorously publicized the deeds of the heroic Sanmi Factory group and of a large number of advanced model workers, and thus aroused our people's enthusiasm in persisting in carrying out the reform and dedicating themselves to the four modernizations. In the light of reality, our city carried out education in the situation and policies among the masses of people and thus ensured and promoted the smooth development of its reform and economic construction. The activities of "five stresses, four beauties, and three loves" deepened and scored heartening achievements. A section of Jianghan Road was designated "National Civilized Commercial Street" by the Ministry of Commerce. The first city hospital, the central department store and 22 other units were designated as civilized units by the provincial authorities. Jinghan Restaurant, Shouyi Road Primary School, Zhongshan Park, and 111 other units were designated as city-level civilized units. The leading groups at various levels continued to correct their guiding thoughts over their vocational work and to restore and develop the party's fine tradition and to some extent overcome the malpractice of "pursuing money in doing everything," failure to obey orders or carry out bans, and weak and lax leadership. We brought a turn for the better to the general mood of our society, and substantially improved our public order and security. We openly handled typical cases, tackled evil phenomena in our society in an all-round manner, reduced the crime rate, controlled the gambling and feudal superstitious activities, resolutely prohibited pornographic video tapes and unhealthy tabloids, and relatively greatly changed the mental attitude of our masses of people.

//Our cultural, educational, and medical undertakings made new progress.// Our literature, art, press, and television and radio broadcasting undertakings continued to prosper. The city's four-level cultural network initially took shape and the cultural life of our masses of people was enriched day by day. A group of fine plays and operas such as "Prison Guard Redresses Wronged Case" were well received. Our city's social sciences continued to develop and the quality of education gradually improved. The scale of recruitment for its secondary vocational and technical schools enlarged, the ratio of the number of students these schools recruited to those recruited by ordinary middle schools was 0.8 to 1. Pre-school education was provided to 90 percent of the children; 76 percent of the graduates from our junior middle schools this year entered various kinds of senior middle schools; and 46.3 percent of the graduates from our senior middle schools entered various kinds of colleges and universities. Local general higher education, teachers education, and adult education continued to develop. Over the past year, the city has raised funds through various ways to improve its school facilities, repaired 199,000 square meters of dangerous school buildings, built 45,000 square meters of new school buildings. In the medical and health sectors, the city vigorously carried out a mass public health movement centered on eliminating harmful insects and preventing diseases. As a result, the rate of contagious diseases continued to drop. Our hospitals at various levels lengthened their hours for clinic services. The number of hospital beds in our city rose by 1,074, and that of family hospital beds rose by 571. All these eased the shortage of medical services for the masses of people. Planned parenthood scored relatively satisfactory achievements and our city basically controlled the growth of its population. It developed extensive sports activities and did relatively well in national sports contests.

New achievements were also scored in our work concerning weights and measures, standardization, civil affairs, foreign affairs, overseas Chinese affairs, cultural relics, archives, nationality affairs, religious affairs, militia, and people's air defense.

Their achievements scored in reform and construction last year were the fruits of the hard labor and great efforts of the people throughout our city. In scoring these achievements the support and supervision of the standing committees of and the deputies to the people's congresses at all levels and the concern shown by the CPPCC Committee and people of various circles were all indispensable.

When we review our work in 1985 we must soberly see that there were quite a few problems and difficulties in our work. The efficiency of our government offices was not satisfacotry and we failed to satisfactorily solve the problems of delay, shifting responsibility, and unsound work style. Quite a few of our enterprises were of poor quality and management. Their management means were backward, their products were of poor quality and lacked competitiveness, their consumption of materials and goods was excessively high, and no radical turn for the better was brought to their low economic results. Our textile, leather and clothing industries were still in difficulty. The foundation of our agriculture remained weak and its production conditions were relatively poor. Our work to serve rural areas still fell behind the demand resulting from the development of our commodity economy. Our communications and transport continued to fail to satisfy the demand resulting from the development of our commodity circulation. We improved our urban infrastructure to some extent, but it still fell behind the development of our production. There were relatively glaring problems of poor management, construction in violation of regulations, and unauthorized additions to existing buildings. We failed to adequately and frequently conduct the activities of "three prohibitions," and our cultural facilities were relatively backward. In regard to these problems, last year, through implementing the spirit of the National Conference of Party Delegates and conscientiously summing up our experience and lessons, we adopted measures to solve some, and have been solving some, but there are still more than require more arduous work. We believe that as long as we unify our understanding and pace, persist in carrying out the reform, bravely explore our way, strengthen our management and soundly do our work well, we will be able to overcome the difficulties and continue to make progress.

II [Roman Two] Tasks for 1986

The year 1986 is the first year of the Seventh 5-Year Plan. In order to do this year's work well and in order to ensure a good beginning for the Seventh 5-Year Plan, we must clarify the guiding thoughts for the plan. The seventh 5-Year Plan period will be a key period for our city's economic development. Conscientiously and satisfactorily doing the work in these 5 years will be of extremely great significance in consolidating and developing the fine situation that has emerged since the 3d Plenary Session of the 11th CPC Central Committee, promoting the reinvigoration and prosperity of Wuhan's economy, and smoothly attaining the magnificent goal put forth by the 12th CPC National Congress. According to the principles and policies adopted by the National Conference of Party Delegates last year, the guiding thought for our city's national economic and social development should be as follows: to persist in giving priority to reform and to make our reform and economic construction match with and promote each other; to fix a rational economic growth rate and fixed assets investment scale in order to maintain a proper proportion between accumulation and consumption; to concentrate our financial and material resources on accelerating the construction of key projects in order to provide necessary reserve strength for the long-term development of our economy;

and to strive to carry out economic structural reform and build our socialist spiritual civilization while continuing to satisfactorily develop our economy in order to simultaneously increase our economic results and growth rate and make progress in developing our material and spiritual civilizations at the same time.

According to the above-mentioned guiding thought, we initially decided our city's major fighting goal in the 7th 5-Year Plan period as follows: to continue to carry out various reforms, vigorously promote the progress of our science and technology and exploit intellectual resources, develop our expanded reproduction by intention, continue to improve our economic results and in particular our product quality, vigorously heighten our capability in earning foreign exchange, increase our gross industrial and agricultural output value and GNP so that by 1990, they both will double those in 1980, raise the per capita actual consumption of our urban and rural people year by year, and continue to improve the quality and environment of our people's livelihood and their living conditions. To be more specific: the targets for our city are: an average annual increase of 7.72 percent in our city's GNP, an annual average increase of 7.31 percent in our gross industrial and agricultural output value, of which the gross industrial output value is to rise by an annual average of 8 percent and the gross agriculturel output value is to raise 6 percent. We think that these growth rate targets are not too high and can be achieved through the joint efforts of the people of the whole city. We can expect that when the Seventh 5-Year Plan is completed, the various kinds of economic relations in our city will have become better harmonized, our market mechanism and indirect control system will have initially improved, and our price system will have become in the main rational; our production composition will have substantially improved and our rising and tertiary industries will have continued to develop; our enterprises will have been operated with healthy economic results, diverse forms and levels of new-type enterprise groups and advantageous lines of trade will have initially taken shape, our product quality will have further improved, and our economic strength will have been greatly augmented; and our urban infrastructure will have improved more and our city's attraction, influence, and capacity for comprehensive services will have further heightened.

In the Seventh 5-Year Plan period, we should continue to consolidate and develop the achievements of the reform in two circulation spheres, augment our city's economic strength on the basis of heightening its capacity for comprehensive services, and intensify the development of our urban infrastructure. Our tentative plan is to complete the construction of key projects including establishing the Changjiang Beer Brewery and Hankou Gas Works, the extending of the Wuhan duplicating machine, plant, building a large new airport and passenger terminal on the Chang Jiang and a new railway station at Hankou, completing the project to harness the Huangxiao He and the Daihuang [1486 7806] highway, and rebuilding and extending six highways that lead to the urban areas; increase the total capacity of in-city and long-distance telephone services; develop bases that produce lean-meat pigs and other agricultural and sideline products; and start the early-stage preparatory work for building a second Changjiang bridge, and build the Wuhan Library and Science and Technology Museum. We firmly believe that through relying on the wisdom and efforts of the people all over the city, we will be able to attain the above goals.

Deputies

In 1986, the city people's government will follow the arrangements of the central authorities; solve outstanding problems on the basis of consolidating, absorbing, replenishing, and improving the reform measures we adopted last year; and preserve our advantages, eliminate our disadvantages, continue to explore our way, resolutely, prudently and soundly push forward our reform, and lay a sound foundation for the steady development of our economy in the Seventh 5-Year Plan period. The general requirement for this year is: We should continue to conscientiously implement the spirit of the National Conference of Party Delegates and persist in simultaneously developing our two civilizations. On the one hand we should grasp our reform in order to promote our economic development; and on the other hand we should tackle problems related to our party style and general mood of society; deepen our education in ideals, discipline, and the legal system; and promote the construction of our spiritual civilization. Major tasks for this year are: to vigorously develop horizontal economic relations and augment our city's attraction and influence; to stimulate our enterprises, particularly large and medium-sized ones, and augment their economic strength; to develop the achievements in the reform in the two circulation spheres and give better play to our city's service functions; to improve our market system, correctly handle the relationships between macroeconomic control and microeconomic stimulation, improve our economic results, and maintain a lasting, stable, and harmonized development of our national economy; and to intensify our education in social public morality, strive to provide first-grade service, and give rise to a new socialist prevailing morality of "serving the people and performing one's duties for the people" At the same time, we should intensify our work to improve our public security through the coordinated efforts of all sectors of our society, and gradually bring a turn for the better to our general mood of society. According to the requirements of the Seventh 5-Year Plan, the major targets for this year's economic development are: a GNP of 10.997 billion yuan, 7.7 percent more than that in 1985; gross national income of 8.423 billion yuan, 7.17 percent more than that in 1985; and gross industrial and agricultural output value of 18.899 billion yuan, 7.0 percent more than in 1985. Of this, our gross industrial output value will be 17.617 billion yuan, an increase of 8 percent over 1985, and our gross agricultural output value 1.282 billion yuan, an increase of 6 percent. Our financial revenues will be 2.787 billion yuan, an increase of 11.5 percent.

In order to attain this year's struggle targets, we should satisfactorily do the following aspects of our work:

/1. We should vigorously develop horizontal economic relations and gradually form syndicates and groups of enterprises./

Developing horizontal economic relations is an objective requirement resulting from the development of our socialist planned commodity economy and also a demand resulting from the deepening of our economic structural reform. This year, we should regard developing enterprise syndicates and groups as a major task in developing horizontal economic relations and gradually establish an open-type net-shaped economic structure with horizontal ties in order to promote the development of our commodity economy.

In developing horizontal economic ties, we should adhere to the principle of voluntary participation, equality, and mutual benefit and make progress step by step toward a fixed target. We should focus on establishing horizontal ties related to the mutual provision of services, first with other areas in the province, then with central China and the whole country. We should continue to boost the cooperation and coordination between our enterprises and vigorously develop diverse levels of combines among various lines of trades and among various cities. We should not only vigorously develop cooperation between raw-material producers and processing enterprises, but should also establish cooperative relations for a different level of processing and thus form enterprise groups. We should not only develop cooperation concerning funds, technology, energy, equipment, personnel, and information, but also strengthen the cooperation related to the marketing of products, contract processing of goods, and establishment of joint-stock economic entities. The form of cooperation is diversified. There can be loose as well as close cooperation, which can be related to a single aspect or to all aspects of operations. We can establish joint venture organizations of a service nature as well as joint venture production companies. Through horizontal transdepartmental and transregional economic relations, we will amass the advantages of various enterprises, gain the efficiency of grouping, improve the quality of Wuhan's products, enlarge the batches of their production, improve economic results, unblock the circulation of goods between our urban and rural areas and between our city and other cities, harmonize the development of various areas, and give full play to the diverse functions of our city.

In developing horizontal economic relations, we should first focus on the development of the production of key products and quality products with well-known brands. On the basis of our large backbone enterprises, we should form enterprise syndicates and groups and scientific research and production combined with a relatively sharp competitative edge, each of which will consist of several enterprises in the same line of trade and enterprises in other lines of trade necessary for the completeness of the operation, linking them with the ties of funds and technology. On the basis of investigation and study, we should apply economic and legal means and combine technological transformation, reorganization, cooperation, development of products, and reform in our industrial management system. We should start from developing the enterprise groups related to freezers, boilers, environmental protection equipment, automobile refitting, washing machines, electric fans, baby carriages, and calicos and strive to establish a number of syndicates and groups of enterprises this year. At the same time, we should gradually establish, in a planned and systematic manner, raw materials production bases for our building materials, leather goods, woolen textiles, tobacco, and other industries and production bases for agricultural and sideline products such as pigs, fish, vegetables, poultry and eggs, in our city or in other areas inside or outside our province.

We should earnestly and satisfactorily carry out regional cooperation, continue to develop coordination and cooperation with the Chang Jiang-Han Shui Plain Cooperation Zone, the key cities along the Chang Jiang, and other areas. We should strengthen horizontal relations with the three cities and two prefectures (Jingzhou, Xiaogan, Xianning, Shashi, and Jingmen) in the Chang Jiang-Han Shui plain and with western Hubei, and explore a new path for developing the regional economy. We should conscientiously carry out the tasks put forth by the first session of the Council of Economic Coordination of Key Cities Along the Chang Jiang, carry out cooperation in the spheres of coordinated transport and accomodation of funds. We should also vigorously develop new scope for cooperation and conduct comprehensive exploitation of the Chang Jiang. At the same time, we should also develop diverse forms of cooperation such as joint ventures with Chinese and foreign capital and compensation trade, gradually establish our system of commodity production for exports, and enlarge the foreign exchange earning capacity of our exports. We should arouse all the sectors of our city to make efforts to continue to give counterpart support to old Soviet areas and poor areas. We should vigorously develop our cooperation with other areas in the country and gradually realize our plan to develop "five levels" of horizontal relations.

All departments and lines of trade should continue to improve their understanding, persist in carrying out reform and opening up to the outside world, do away with the separation between departments and areas, overcome the idea that upholds making our enterprises "large and all-inclusive" and "small and all-inclusive," foster the sense of long-term interests and mass production, and create favorable conditions for promoting and developing horizontal economic cooperation. We should continue to analyze and study the new situation and problems related to horizontal cooperation and formulate corresponding measures. We should manage to support horizontal cooperation by our policies and protect it by our laws. We should provide economic, ideological, and legal guarantees for the healthy development of horizontal cooperation. The departments in charge of our enterprises must be adapted to the needs in strengthening horizontal cooperation, change their administrative functions, and vigorously help our enterprises satisfactorily carry out horizontal cooperation.

/2. Better enliven our enterprises, particularly large and medium-sized ones, and continue to improve our economic results./

Enlivening our enterprises, particularly large and medium-sized ones, is the key link of the whole economic structural reform with the focus on urban reform. In order to consolidate and develop our achievements in enlivening our enterprises, we should urge enterprises to make internal efforts as well as create external conditions for their development and thus enable them to acquire the capacity for self-transformation and self-development.

In accordance with the requirements of the planned commodity economy, our enterprises should foster new management concepts, reform their management methods, open up new management scope, formulate management policy decisions, apply the market mechanism, and conduct flexible management. They should satisfactorily reform their leadership system. Beginning this year, on the basis of the experiment on the implementation of the system of the factory director (manager) assuming responsibility, every large and medium-sized enterprise in our city should implement the factory director responsibility system with targets for his term of office, establish a unified, powerful, and highly efficient production command and administration and management system, and actually and closely combine administrative direction by its factory director, guarantee and supervision by its party committee, and democratic management by its staff and workers and ensure that the director, committee, and staff and workers all perform their duties. Our enterprises should proceed from reality, appropriately divide themselves into smaller accounting units, diversify their operations while maintaining major areas of operation, and diversify their production, operational, service, and enterprise functions. They should reform their system of internal administration and management and merge information management, scientific research management, production management, and management geared to the market. They should conscientiously reform the composition of their ownership system. Small state-owned enterprises can be contracted or rented to collectives to be managed by them. At the same time we should strive to make a breakthrough in our experiments to establish a joint-stock economy. We should select some small enterprises that are suffering losses and reorganize them through bankruptcy and thus urge enterprises suffering losses to quickly overcome their losses. We should continue to perfect our distribution system and do away with egalitarianism in distribution.

In order to stimulate our enterprises, we should closely grasp the two links of improving product quality and reducing material consumption. We should persist in giving priority to product quality, conduct all-round quality control, establish and perfect our quality guarantee system, strengthen quality checks and supervision, and really reach a new high in improving our city's product quality. We should enlarge the scope of the experiments in giving awards to those who conserve materials and energy in order to continue to reduce the consumption of materials and goods. We should continue to intensify the fundamental work of enterprise management, perfect our management responsibility system, vigorously urge our enterprises to modernize their management and thus improve their management in an all-round manner. We should accelerate our technological transformation and development, conscientiously apply advanced technology and equipment to transform our existing enterprises, vigorously develop new products and varieties, and augment the economic strength of our enterprises. At present, we should focus on satisfactorily undertaking the production of key products. At the same time, we should vigorously develop our raw materials, food, textiles, garments, and durable consumer goods industries and satisfactorily organize the production of small commodities. We should continue to implement the contract management responsibility system and intensify the marketing of our products. We should give full play to the regulatory role of our economic levers in order to improve the external conditions for our enterprises and create a satisfactory environment for the normal operation of our enterprises.

We should encourage exports to earn more foreign exchange. We should widely develop external cooperation, formulate policies to encourage exports, conscientiously open up a foreign labor service market, accelerate our progress in increasing our foreign exchange earnings, and promote the development of the use of foreign capital and the importing of foreign technology. We should help and consolidate the production of export commodities in our foreign exchange earning enterprises and key enterprises, and grasp the export of key marketable products and products of well-known brands and fine quality. At the same time we should develop new bases of export commodities and factories and workshops specializing in the production of export goods. We should combine industry, agriculture and technology with trade, and implement a system of assigning agents to carry out foreign trade. We should give price subsidies for products export at lower prices, award enterprises and staff and workers who have contributed to earning foreign exchange through exports, and ensure our enterprises' rights to own and spend their retained foreign exchange. Our banks should give priority to providing funds for enterprises that deal in export commodities and that produce export products. While satisfactorily exporting our light and textile products, we should conscientiously develop export products in our electrical appliance, machine building, chemical and pharmaceutical industries.

/3. Focus on opening up markets for the means of production and funds, gradually perfect the market system, and vigorously develop tertiary industry./

Circulation is the bridge between production and consumption and is an important function of our cities. While continuing to expand our consumer goods market, we should focus on opening up markets for our means of production and funds, vigorously develop technology and labor markets, perfect our market system and improve its service function.

We should better stimulate our consumer goods market. We should keep the gates of our three towns open wide and welcome other areas to set up shops and factories in Wuhan. We should encourage our commercial enterprises to go to other areas to market goods, organize sources of goods, and stimulate the market. We should consolidate and develop various kinds of trade centers, better sort out and reorganize various categories of companies, intensify our administration over commerce in our society, focus on satisfactorily grasping the development of our wholesale market, develop a well-connected wholesale business network, and increase the exchange of commodities with other areas.

We should conscientiously develop a market for the means of production and gradually reduce the variety and quantities of the means of production for which distribution is monopolized by the state. A portion of the steel, timber, and cement supplied according to plan will be sold at unified market prices, but the sellers will pay the buyers for the difference between the market price and planned price. This practice will be developed to cover more categories and quantities of goods. Specialized material and equipment companies of various kinds will gradually grow and become site for transactions of large quantities of materials and equipment. As one of the five cities where experiments in our national financial reform are being carried out, our city should take great strides forward. It should gradually start the banking business for retirement funds deposits, checking deposits, and checking deposits with a ceiling on withdrawals for each check, issue various kinds of shares and bonds in a planned and systematic manner, and thus vigorously riase funds. We should develop short-term interbank lending among the city branches of the People's Bank of China and specialized banks and credit cooperatives. We should strengthen transregional economic ties and intensify transregional cooperation by means of compensation trade loans, buyers' credits, leasing, and loan trusts. We should popularize the use of commercial bills and develop the business of discounting bills in order to meet the demands resulting from the expansion of commodity circulation. Subject to approval, enterprises can issue shares and bonds to directly raise funds from other enterprises and frmon among people as individuals. We should gradually form a funds market for short-term interlending inside our city and between our city and other areas. We should improve our planned credit management system and set up a board in our branch of the People's Bank of China. Our specialized banks and insurance companies should be administered and managed as enterprises. We should gradually form a financial system with the branch of the People's Bank of China as the core and our specialized banks as principal parts and with the coexistence, division of labor, and coordination among them and other financial institutes. We should continue to develop our technology, labor, and information markets and make the various markets coordinate with one another and form a complete system.

While stimulating our markets, we should perfect our macroeconomic control and management and ensure that the reform develops in the right direction. We should control our credit volume and our fixed assets investment, our consumption demand, and our general price level. We should continue to separate the functions of our government from those of our enterprises, streamline our administration, decentralize power, and reform the functions of our government. We should gradually perfect our systems of law, rules, and regulations. We should intensify our efforts in developing our auditing, taxation, price administration, industrial and commercial administration, weights and measures, standardization, food sanitation, and other administrative departments and exercise effective supervision and administration.

The key to establishing and perfecting our market system is the reform in our price system and price management system. The major task of price reform this year is to assimilate and improve the reform measures we have already been implementing. On this basis, we should study the contradictions related to the dual prices of our means of production, the interaction between planned, floating, and free prices and their impact on the market, maintain a basic price stability in our market, and thus make satisfactory preparations for the reform in the next two years. We should fully apply our market mechanism, and organize our state-owned enterprises to participate in regulation by the market mechanism and play a role in regulating and stabilizing our market and controlling the prices there. We should control the sources of supply of our major foodstuffs such as pork, vegetables, fresh eggs, and fruit, satisfactorily readjust the supply, and thus make it meet market demand. We should basically maintain stable prices for daily use industrial products and service charges that are closely linked with the people's livelihood; strengthen our administration over individual commerce, the catering business, and service trades, and protect those who observe the law in doing their business, prohibit improper competition, and protect consumers' interests. We should widely publicize price reform, strengthen our price supervision and inspection organizations, firmly prohibit the malpractice of unauthorized and disguised price hikes, and ensure smooth progress in our price reform.

Improving our communications is an objective demand resulting from the opening up of diverse markets and giving play to the role of our key cities. This year, we should give priority to developing our communications and telecommunications industries. We should persist in carrying out reform, streamline our administration, decentralize our power, perfect our communications administration system, tap our transport potential, improve our transport composition, and enlarge our transport capacity. When the management of Wuhan Port is transferred down to us, we should exercise unified management over all the ports in our city. We should continue to develop cooperation in providing through transport and expand trans-provincial passenger and cargo road transport. We should continue to organize the work of conditionally opening railways for special use to the public and continue to do a good job of dividing the flow of transport between our railways and highways. We should pay close attention to ensure the construction of key infrastructure projects. We should mobilize and organize the force of our community in developing our communications and telecommunications industries and enlarge the scope and capacity of our communications and telecommunications service.

While stimulating our market, we must continue to develop our traditional service trade, enlarge the scope of its services, better develop the rising service trade sectors related to information, tourism, advertising, advice and consulting, insurance, renting and ceasing, storage, and cold storage. We should intensify our administration, enlarge the area of our services and give play to the diverse functions of our city.

/4. Deepen rural economic reform and promote the development of rural commodity economy./

Agriculture is the foundation of our national economy. The steady development of our national economy demands an all-round development of our rural economy. The general requirements for this year's rural work are as follows: to steadfastly implement the spirit of the CPC Central Committee Document No. 1, better carry out various rural economic policies, continue to readjust our production mix, improve agricultural production conditions, organize pre- and post-production servicing, and achieve a new level of development of our rural planned commodity economy. According to this year's plan, we should produce 1.65 metric tons of grain, the number of pigs slaughtered should be 1 million, the output of fresh fish should be 60,000 metric tons, our township and town enterprises should strive to increase their gross output value by 30 percent, the per capita net income should increase by about 50 yuan, and the rural per capita grain output should be 500 kilograms.

"Never slacken our efforts in grain production and vigorously develop diversified undertakings" is a fundamental guideline for our agricultural production. Our counties, townships, and villages should first ensure an adequate area of farmland for grain production, solve various problems related to our grain production, and earnestly grasp grain production. At the same time, we should vigorously develop diversified undertakings, in particular animal husbandry, aquatic production, forestry, and fruit production and develop rural industry, construction, transport, and service trades. Out near suburbs should mainly grow vegetables and pay attention to developing the production of other foodstuffs. We should accelerate the specialization of our rural economy, quicken the process of turning our rural economy into a commodity economy and establish production bases in our rural areas, and speed up rural modernization. Our urban and rural areas should make joint efforts to combine industry with agriculture and agriculture with commerce and jointly strive to satisfactorily establish bases for quality rice, quality cotton, fishery, vegetables, and lean-meat pigs. We should establish service organizations in the light of the categories of products and lines of trade in order to provide systematic and comprehensive services related to fine varieties and breeds, technology, processing, marketing, and purchasing. We should achieve substantial development in our industries related to animal feed, seedlings, immunization, transport, and marketing. Through providing services, we will gradually develop specialized cooperative organizations.

The development of our township and town enterprises is indispensable to the prosperity of our rural economy. Agriculture and rural industry must develop in harmony. Our urban industrial administration departments and enterprises should conscientiously spread their products and provide technology, personnel, and funds to help township and town enterprises develop. We should draw up rational plans, intensify our management and combine the restructuring of our urban production with that of our rural production. We should not only regard agriculture as the foundation and focus on developing the agricultural and sideline products processing industry and undertakings that serve our agricultural production, but we should also vigorously develop, in the light of our actual needs and conditions, our building materials industry, construction industry, and the processing industries that serve our large industrial enterprises or that facilitate our exports.

We should continue to intensify our work to help poor areas and old Soviet areas and earnestly help them overcome poverty. We should proceed from reality, make distinctions between different areas, assign responsibility level by level, tackle problems in these areas by batches, and conscientiously overcome the difficulties related to the supply of potable water and medical treatment. We should persist in providing counterpart aid to help poor areas gradually follow the path of using their local advantages of natural resources, develop production through self-reliance, and improve people's livelihood.

/5. Accelerate construction of urban and rural infrastructure and perform more actual deeds for the masses of people./

The work of building and managing our city should be centered on building Wuhan City into an open-type, multifunctional, socialized, and modern economic center. On the basis of improving and expanding the capacity of the existing facilities, we should continue to create conditions to ease, to some extent, the shortage of road facilities in our urban areas, improve our fuel mix, reduce the destruction caused by flooding, continue to enlarge our flood prevention capacity, score relatively great achievements in afforestation, environmental protection and environmental sanitation, and gradually create a clean and comfortable surrounding to live and work in.

In the light of this requirement and in accordance with the principle of acting according to our capacity, we should do the following 20 things for our urban and rural people in a down-to-earth manner: 1) We should build 2 million square meters of residential buildings, of which 14,000 square meters will be used for the implementation of the policy related to private houses confiscated during the cultural revolution and 50,000 square meters will be specialy built for teachers; 2) we should start construction on the first phase of Hankou Gas Works; 3) we should build a new children's hospital at Qiuchang Street with a clinic and a building of wards with 600 hospital beds and extend the hospital attached to the staff and workers medical college, adding 100 hospital beds to its department of gynecology and obstetrics; 4) we should continue to harness the principle of the Huangxiao He and this year we should complete the construction of the box culvert and 2½ kilometer long road from Qingnian Road to Sanyan Bridge and strive to build more box culverts and roads; 5) we should in the main complete construction of Zhujia He Bridge; 6) we should build and rebuild nine roads including Wuchang's Xinmin Road and the trunk road in Hanyang; 7) we should complete the Qinduankou Water Works extension project in Hanyang before the peak demand period for water comes and thus ease the water shortage then; 8) we will allocate 5 million yuan for building or rebuilding 308 public toilets and septic tanks; 9) we should continue to improve the southern section of the yellow crane tower park, start building Xin's restaurant, install recreation facilities round the lake in the Dong

Hu scenic area, and quicken the development of the Hanyang tourist zone; 10) we should build the Yanluo dock for automobile ferries, complete construction of the Zhongbei Road Trolley bus maintenance depot and Daijiashan bus depot, and acquire 100 new buses and two passenger ferries; 11) we should accelerate the construction of the project to prevent polluted water from flowing into the Dong Hu and treat water pollution in 120 polluted rivers; 12) we should build two transformer substations respectively at Xinchong, Xingzhou County, and Taersu District, Huangpi County; 13) we should rebuild 170,000 square meters of grade-1 dangerous school buildings in our urban and rural areas; 14) we should build a new science and technology museum; 15) beginning in 1986, we will allocate 600,000 yuan a year, thus providing 3 million yuan in 5 years to establish tree seedling bases; 16) we should establish water works at the county seat of Xinzhou county and at Shamaoshan town in Hannan and help the people in 20 small towns including Xinchong, Zhashan, Liji, and Daqiao town to carry out their projects to improve their potable water, and solve the potable water problem for another half million of our rural people; 17) in accordance with our plan, we should gradually improve the commercial networks in 22 small towns in our suburban counties and develop tertiary industry; 18) we should start to build two large sits for trade fairs; 19) we should build and extend some of our dykes and flood-prevention dams; and 20) we shall invest 5.6 million yuan for the construction of rural water conservation facilities.

We should continue to improve our urban planning. This year, we should continue to revise the general plan for our city and deliver it to the upper level for examination and approval. We should continue to formulate detailed plans, regional plans, professional plans, plans for small districts, plans for areas along railways, and plans on immediate large and medium-sized urban construction projects. We should foster the viewpoint of long-term development and earnestly correct the tendency of exploiting all opportunities to start projects and seek only immediate benefit in our urban construction. We should apply administrative, economic, and legal means to overcome the malpractice of carrying out construction in violation of the regulations and ensure that our construction is carried out in a planned and coordinated manner.

Our urban administration should be aimed at making our city tidy, clean, and beautiful and focus on overcoming dirtiness and disorder. We should strictly impose various regulations and rules and vigorously coordinate various measures. We should intensify the cooperation and coordination between various specialized administrations, implement the contract responsibility system geared to the administration of districts and sections, arouse the masses of people to cooperate with and supervise the administration, and thus gradually make our urban administrative work systematic, regular, and scientific. We should better straighten out the order at key spots in our city; do a good job to fix and readjust the locotion of hawkers and groups of hawkers; put our construction sites, docks, and stations in order; and continue to implement the responsibility system wherein a unit should shoulder all-round responsibility for cleaniliness, sanitation, and order in the public area around it. We should give full play to the administrative role of district governments, subdistrict offices, and neighborhood committees and accelerate the pace of the development of urban civilization.

We should deepen the reform in our construction industry. We should continue to improve the tender contract responsibility system and the method of assigning all-round responsibility by contracts for the percentage of wage costs in output value, and thus organically combine speeding up construction with improving construction quality. We should continue to open up our construction market, reform the system of worker recruitment, and establish a system to combine our urban and rural construction work force. At the same time, we should earnestly reorganize our construction market, intensify our administration over construction contingents, severely prohibit the practice of transferring responsibility contracts, and ensure the quality of construction.

/6. Push forward the reform in our scientific and technological and educational systems, and promote social and economic development./

The restructuring of our production, the changes in our consumption patterns the progress in the technological transformation in our enterprises, and the development of our agriculture and township and town enterprises have given rise to many new tasks for our scientific and technological work. We should continue to push forward the reform in our scientific and technological system, vigorously popularize scientific and technological results in accordance with the "spark plan," and make best use of our advantages in technology and natural resources to carry out comprehensive development research related to lean-meat pigs, quality fish, fine breeds of water melons, and edible mushrooms. On the basis of summing up our experience in setting up the three development centers related to lasers, amino acide, and aquatic products, we should gradually set up optical fiber, biological engineering, computer software, and microelectronic development centers. We should intensify the development and application of applied technology and provide service to promote technological progress and stimulate the local economy. We should arrange the work of tackling scientific and technological problems, hurdle around developing key products and carrying out technological transformation in our advantageous lines of trade, develop full systems of scientific and technological capacity, strive to achieve a number of satisfactory scientific and technological results, and provide advanced and applicable technology for our traditional technology. We should combine our scientific research with the imports of advanced technology, do a good job of assimilating, absorbing, and developing imported technology and thus turn imported technology into our own technology and make it serve the development of new products to replace our old ones. In the light of the restructuring of our rural production and the development of our commodity economy, we should gradually probe ways to establish scientific and technological service systems of various kinds for our counties, districts, townships, and villages; combine technological service with business related to the commodities of materialized technology; combine experiments, setting examples, popularization, and technical training; continue to develop scientific and technological households of various kinds in our rural areas; and gradually establish diverse forms of agricultural technology contract responsibility systems geared to agricultural technology.

We should persist in carrying out our educational reform, handle our educational undertakings as we do our economic construction, and create a new situation in our city's educational work. We should formulate a plan for the implementation of the 9-year compulsory education system to popularize basic education; adopt vigorous measures to develop teachers' education; make great efforts to develop secondary vocational and technical education; continue to develop various kinds of short-term vocational training; concentrate our energy on developing secondary professional and technical schools for adults; appropriately reorganize our television universities, staff and workers universities, and evening colleges, tap the potential of the higher education institutes under the jurisdiction of our city; and rely on the colleges and universities in the Wuhan area to accelerate the training of personnel. We should gradually increase our intellectual investment. The educational funds allocated by our local government should increase quicker than their current financial revenues do, and there should be a gradual increase in the per capita educational funds for the students studying in our schools. We should overcome and correct the prejudice that looks down upon knowledge and talented people and foster the prevailing morality of respecting knowledge and teachers in our society.

We should boost reform in our medical and public health work and develop medical and public health undertakings in various forms. We should strengthen our hospital management, consolidate and strengthen urban and rural basic-level public health institutes, and improve service attitudes and the quality of medical service. We should reinvigorate our traditional Chinese medical undertaking and create a new situation in our work related to traditional Chinese medical science and medicine. We should conscientiously prevent and treat local diseases and infectious diseases, particularly schistosomiasis, and earnestly and satisfactorily carry out patriotic health campaigns in order to improve our masses of people's health. We should continue to satisfactorily carry out our planned parenthood work and make great efforts to popularize mass sports activities. We should continue to develop our various cultural undertakings including press, radio, and television broadcasting, and literature and art. We should strengthen our work related to cultural relics and protect and restore the features of our city as a well-known historical and cultural city.

/7. Continue to strengthen the construction of our spiritual civilization while pushing forward the construction of our material civilization./

The deepening of our reform and the development of our economic construction have raised new demands on the construction of our urban and rural socialist spiritual civilization. We should fully understand the significance of our construction of spiritual civilization in our undertaking of socialist construction, earnestly manage to grasp the two civilizations simultaneously and score achievements in both areas, regard the construction of our spiritual civilization as an important constituent part of our socialist modernization, and persist in it. Closely in the light of the reality in our city in opening up the outside world and stimulating our economy, we should make all-round planning, adopt adequate and coordinated measures, focus on key sectors, make great efforts and ensure that we really grasp the work well.

In developing our spiritual civilization, we must always grasp the key link--ideological work. At present, we should regard as our goal the training of new people who have ideals and morality, who are educated, and who observe discipline. We should deepen our education in ideals and discipline, extensively carry out the activities of "setting good examples and learning from the advanced, and unfold a vigorous mass campaign all over our city to learn from Xu Yunsheng, Hu Dongsheng, Chen Qifa, Tang Zhiguo, Xiong Hanxian, and Li Wangying. The administrative leaders at all levels should satisfactorily do their ideological and political work in the light of their vocational work and link solving ideological problems with solving actual problems. We should foster satisfactory professional ethics, pay attention to maintaining our enterprises' reputation, do business and run our factories in a civilized manner, oppose a corrupt business style, vigorously correct the unhealthy practices in various trades, improve service attitudes, and provide first-class service. Our ideological, cultural, educational, and press sectors should persist in putting social benefits first and strive to provide rich and healthy mental food for our people. Our social scientific research should be closely linked with reality and provide theoretical guidance for intensifying the construction of our material and spiritual civilizations.

Establishing civilized units is fundamental in developing our spiritual civilization. On the basis of conscientiously summing up the experience we gained last year, we should revise and implement the development plan for this year and extensively carry out the activities of "striving to establish civilized units and to become civilized citizens and jointly turning Wuhan into a civilized city." We should focus on satisfactorily grasping the activities in leading organs and in "window" trades and thus promote the development of the activities throughout our city. We should deepen the activities to establish five-goods houses and families, and civilized units, neighborhood committees and villages and encourage the new prevailing morality of respecting old people, taking loving care of children, and maintaining good neighborly relationships. We should continue to carry on the fine tradition of supporting the army and giving preferential treatment to families of servicemen and martyrs and supporting the government and cherishing the people and better carry out the activities of the Army and people jointly establishing civilized units.

Popularizing legal knowledge and intensifying the development of our legal system is an important part of the construction of our socialist spiritual civilization. This year, we should conduct education to popularize knowledge about our legal system in an all-round manner and make the people all over our city heighten their sense of the legal system, know the law and observe the law, and form the habit of acting in accordance with the law. In the education process for popularizing legal knowledge, we should focus on teaching our cadres and youngsters. At present, we should first satisfactorily grasp the work of training our cadres, in particular leading cadres at various levels. Our leading cadres should take the lead in studying, observing, and enforcing the law.

We should continue to straighten out our public order and security. We should continue to crack down on various kinds of serious crimes and serious economic crimes, promptly investigate and handle major and important cases, and better intensify the work of straightening out our public security by arousing the coordinated efforts of the whole community. We must prohibit all evil practices that corrupt the general mood of our society and create a fine social environment for the smooth progress of our reform and various aspects of other work.

In order to fulfill the above-mentioned tasks, and in order to boost the reform and construction in the whole city, we must intensify our work to consolidate our government organs. The people's governments at all levels should continue to do a good job of streamlining administration and decentralizing power in accordance with the principle of separating the functions of government from those of our enterprises, and satisfactorily do the work of unified planning, coordination, supervision, and service in order to meet the demands of the economic structural reform. The workers in our state organs should set examples in serving the people, shouldering responsibility for the people, and willingly working as public servants for the people.

The leaders of our city people's government should be the first to correct their work style and thus set examples for other people. Our leading cadres should not only be strict with themselves and firmly oppose and correct various unhealthy practices, but should also teach their children and relatives to carry forward and develop the fine tradition and set examples in observing the law and discipline. Our government workers should keep well in their minds the goal of serving the people wholeheartedly, carry out difficult struggles, heighten their sense of discipline, study hard, transform their work style, be courageous to shouldering responsibility, overcome bureaucracy and the malpractices of shifting responsibility and stalling, listen to the voice of the masses of people, accept the people's supervision, rise with force and spirit, work diligently, improve their work efficiency, and thus make greater contribution to the party and people.

Deputies:

Our city has already overfulfilled the Sixth 5-Year Plan in an all-round manner and victoriously entered the period of the Seventh 5-Year Plan. We should respond to Comrade Hu Yaobang's call that we should "unite as one to carry out the struggl e and fulfill another magnificent plan," give first priority to reform, and earnestly and satisfactorily do all aspects of our work this year. We firmly believe that as long as the people all over the city unite better as one under the guidance of the CPC Central Committee's line, principles, and policies, as long as they continue to open our way and forge ahead, they will certainly be able to fulfill all the tasks this year and realize the struggle goals of the Seventh 5-Year Plan and a united, rich, and civilized Wuhan will certainly be able to emerge before the people of the whole city.

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ON REFORMING TOWNSHIP ENTERPRISES ACCOUNTING PROCEDURES

Beijing NONGCUN CAIWU KUAIJI [RURAL FINANCIAL AFFAIRS] in Chinese No 10,6 Oct 85

[Article by Bao Weihe [0545 4850 0735]: "Tentative Ideas About Improving Township and Town Enteprise Accounting Procedures"]

[Text] The accounting system currently used by township and town enterprises is still the financial control method and accounting system (provisional draft) that the Ministry of Agriculture and the Ministry of Finance prescribed for commune-operated enterprises in 1980. It played a positive role in unifying the financial accounting system used by township and town enterprises throughout the country, in strengthening administration and management, and in perfecting financial accounting.

With improvements in the rural economic system and promotion of economic diversification and contract responsibility systems,however, township and town enterprises throughout the country have expanded greatly. By 1984, they showed a gross output value of 170 billion yuan and paid 15.7 billion yuan in profits and taxes to the state to become an important mainstay of the rural economy. Vast numbers of peasants were heading along an important road toward common prosperity, which was an important source of financial revenues for the country that held a decisive position in the rural economy. In the wake of the 3rd Plenum of the 12th Central Committee, in particular, the further liberalization and enlivening of rural economic policies as well as comprehensive readjustments to the industrial structure and tax collection policies occasioned a series of changes in township and town enterprises. The prevailing accounting system was no longer suited to the changed situation in many places and was in urgent need of corresponding improvements. Below I have taken up only improvements in accounting headings for township and town enterprises, and I have put forward some tentative ideas for consideration.

1. Purpose of Accounting Headings.

(1) Accounting headings are means that enterprises employ for categorizing when reporting and supervising economic activities. They provide the officials of enterprises with the various accounting data and information that they need for administration and management.

(2) Every accounting heading represents a specific economic component and its corresponding relationships. Consequently, the crafting of accounting headings requires both that they reflect the totality of the movement of funds, and that they are also able to reflect individual integral parts. They have to account for the funds used by various economic activities, the sources of funds, and the overall picture of the movement of funds, and they also have to account for the financial situation and results of operations.

(3) Financial headings are the basis for setting up ledgers and for preparing reports and tables. They have to be uniform and offer convenience for compiling, and for checking and supervising economic activity.

Clearly, improvement of accounting headings is the foundation for improvements in the accounting system; they must not be taken lightly.

2. Principles For Improvement of Accounting Headings

(1) Improvement of existing accounting headings for township and town enterprises definitely requires acting in the spirit of CPC Central Committee decisions on reform of the economic system to give township and town enterprises the vitality they should have, to steadily upgrade enterprises, and to improve economic performance.

(2) It is necessary to reflect to the full prevailing national programs, policies, regulations and laws. Since 1981, the Central Committee has issued several documents number 1, and in 1984, it issued a document number 4 devoted specifically to township and town enterprises. In 1985, the Ministry of Finance promulgated the accounting law. All tnese documents should be used as a basis for formulating accounting headings, taking into concurrent account the interests of the country, collectives and individuals.

(3) It is necessary to follow the principle of seeking truth in facts, and to proceed from the realities as they exist for township and town enterprises and for financial accounting personnel. The setting up of accounting categories has to be based on the characteristics of the enterprise concerned, the scope of its operations and there vocational complexity so that it reflects the whole process of the enterprise's supply, production and marketing. Consequently, revision of the existing accounting system has to follow the principle of being crude or meticulous where required,and retaining Ar discarding whatever must be retained or discarded so as to achieve a proper combination of the complex and the simple, a clear-cut intent, and ease of use.

3. Need To Improve Accounting Headings

Accounting categories to be established should give full expression to the many trades and industries that make up township and town enterprises, and the diversity of forms of ownership so that the interests of the country, collective and individuals will pervade the whole process of commodity production and permeate every link of industry, agriculture, business, production, supply and marketing. To do this, improvements in accounting headings have to reflect prominently the following several stock headings:

1. They must correspond to the many channels of funds for township and town enterprises and the diversity of methods used for gathering funds. There have to be more headings set up for "production operation funds," and various secondary headings have to be set up under this heading and under the heading of "special purpose funds" to reflect exhaustively and accurately channels for sources of funds and uses to which special purpose funds are put for the protection the legal rights of investors.

2. Need to control scale of capital construction by enterprises and the speed of development of production. Under the heading, "fixed assets," should be set up sub-headings for "houses and structures," "machine-powered equipment," "transportation vehicles," and "equipment prone to corrosion" for ease of control by categories and figuring of withholdings for depreciation. Strict control must be exercised over "payments for the purchase or construction of fixed assets" and the principle of proceeding within capabilities adhered to for a reversal of the situation of enterprises relying entirely on loans to undertake capital construction. Those production enterprises that are truly developing at ultra-high speed should slow down as a practical matter. Henceforth, they should do good planning that is closely linked to natural resources and the construction of industry and transportation. They should make arrangements taking all factors into account, developing and setting up sites in a planned way, avoid blindness in action, and make full use of strengths, so that the enterprise's development will have more staying power.

3. Need for greater control over the "profits distribution" heading. Full expression must be given to policy rulings on investment and distribution of profits, reduction or exemption from taxes, pre-tax loan repayments, withholdings by the enterprise and payments of profits to the state. This gives a strong policy flavor to accounting and record keeping for township and town enterprises, and is the most important indicator distinguishing these enterprises from all others.

4. Need for greater supervision of the production (business) process. This means, for example, that under the heading "materials," there should be sub-headings for "materials en route," "materials sent for processing," "materials in storage," and "expendables." Business enterprises should add sub-headings for "commodities in storage," "retail sales commodities," and "enterprise commodities" by way of increasing control and supervision over raw materials and the flow of commodities to reduce waste.

In the control of expenses and costs, cost categories must be rigorously set. Unreasonable expenditures may not be bootlegged into costs.

5. Need for stronger control of final accountings for funds. Accounts receivable and accounts payable have to be separately supervised and final accountings made promptly. Dunning of rural and small town enterprises from all sides is strictly forbidden, and the tying up of large amounts of circulating capital is to be guarded against. Enterprises should not depend on high interest loans to maintain production that make product costs high, robbing them of their market competitiveness.

(2) Needs of township, village, residents team and associated commune member household enterprises should be met. In setting up accounting headings, the requirement of "four wheels" all turning together should be reflected. Central Committee (1984) Document No 4 explicitly ruled that in improving accounting headings, "township and town enterprises (i.e., commune (township) and production brigade (village) operated enterprises, some cooperative enterprises run by associations of commune members, other forms of cooperative industries and enterprises run by individuals)" must remember that except for enterprises run by individuals (households), which cannot currently set up ledgers for supervision, all four other levels have to keep records. Even though township and village levels are unable to meet requirements for development of township and town enterprises, only by bringing under control enterprises operated by townships, villages, residents teams and associations of commune members is it possible to show the total picture of township and town enterprise development.

(3) There must be a combination of a scientific character and a mass character. Some township and town enterprises are large while others are small, some accounting personnel are better qualified than others, and the amount of economic activities varies. Circumstances are complex and there are great differences between one enterprise and another. For this reason, in designing accounting headings, one cannot act with "arbitrary uniformity." One must use a mix of scientific and mass character, doing everything possible to reduce the number of bookkeeping levels and simplifying bookkeeping procedures while being consistent with accounting and record keeping principles and proceeding from a scientific basis.

Just how many accounting headings should be set up? There are as many opinions on this issue as there are people. Economically developed areas advocate great refinement in economic work with the setting up of numerous accounting headings and detailed categories. They emphasize the scientific character of accounting and bookkeeping. Places in which economic development has been slower advocate the setting up of fewer headings. They emphasize the need for taking into consideration the actual situation in township and town enterprises and the capabilities of accounting personnel. They are interested in the mass character of accounting.

How does one go about achieving a combination of a scientific character and a mass character? Practice has shown that when too many accounting headings are set up, the subject matter becomes unwieldy. Too few headings, on the other hand, make it impossible to reflect clearly different aspects of the movement of funds. For this reason, a combination of scientific character and mass character is needed, every effort being made on a relatively scientific basis to reduce the number of bookkeeping levels and to simplify bookkeeping procedures. To achieve this goal, consideration may be given to setting up a high and a low number of entries in new accounting headings. Since township and village enterprises are fairly large in size and since their accounting personnel are fairly skilled, they could use the accounting headings that are in general use throughout the country that reflect in fairly great detail an enterprises's economic activities. Enterprises run by residents teams and enterprises run by associations of households could also select several main headings for use that distinguish between uses to which funds are put and sources from which funds derive, and that also permit accurate calculation of profits and losses while satisfying reporting criteria required by higher authority. This would have the following advantages:

1. A uniformity of headings and a standardization of content could be achieved, and the main indicators in reports and tables would be identical making for ease of collation and ease in providing data on the macroeconomy.

2. It would make possible a gearing to the actual situation in small enterprises, and it would also satisfy requirements for larger enterprises, satisfying both "the need for more and the need for less."

4. Problems in Setting Up Headings For "Fixed Funds" and "Circulating Funds."

One of the burning issues in the controversy about reform of the accounting system is whether or not fixed funds and circulating funds should be set up separately. Some comrades recommend separation between "fixed funds" and "circulating funds," with sub-headings under each for "state support funds," "rural funds," "enterprise funds," and "funds invested from outside." The reasons are as follows: 1) These heading concepts are clear and explicit. 2) Separate headings make it possible to provide banks data at any time on the status of an enterprise's circulating funds when loans are requested. 3) Incumbent accounting personnel are thoroughly familiar with this system, and even though it is somewhat tedious, they prefer to keep ledgers in this way. Some comrades recommend merging "fixed funds" and "circulating funds" under the heading "production operation funds," with five sub-headings, namely "rural funds," "enterprise funds," "funds invested by other units," "funds invested by individuals," and "state support funds." The advantages of this method are as follows: 1) It provides a clear record of the sources of funds for ease in figuring out the sharing of profits on each category of funds, with no need for dividing into "fixed funds" and "circulating funds" categories the investment in shares by every Tom, Dick and Harry. 2) As a practical matter, when township and town enterprises use funds, they cannot put fixed funds into a bank account at a low rate of interest and then use high interest loans as circulating funds. Therefore, objectively speaking, there is no real purpose in setting up these two headings. 3) When there are two headings for funds, procedures are unwieldy and there are too many columns to fill in. For example, for depreciation of fixed assets, four separate columns have to be filled in; six columns have to be filled in for fixed assets purchased or built through purchases of shares by employees. Accountants say, "This is like pouring water back and forth among eight jars, emptying one and filling another, causing hardships for oneself. Once property has been sold, it makes no difference where the funds for it came from." 4) It is not difficult to find out the amount of fixed funds and circulating funds without setting up two separate headings. Fixed funds equal fixed assets minus depreciation; circulating funds equal production operation funds find fixed funds.

After all is said and done, I agree with the latter view.

5. The Problem of How to Respond To The Many Trades and Industries in Township and Town Enterprises

Inasmuch as township and town enterprises are made up of many trades including industry, agriculture, business, construction, transportation and services, and since conditions do not exist at the present time for formulating individual accounting systems for each trade, all that can be done is adopt the principle of industrial enterprises being paramount with concurrent concern for other trades,because more than 70 percent of existing township and town enterprises are industrial enterprises. I propose the designing of a set of multi-purpose accounting headings for industries, which can be provided to all categories of township and town enterprises for their use. For example:

(1) For the heading "production expenses," relatively small enterprises may set up headings for "basic production," "ancillary production," and "workshop expenses." Business enterprises can change the heading for "production expenses" to "circulation expenses." Service trades may change it to "business expenses;" transportation enerprises may change it to "transportation expenses," and construction and installation enterprises may change it to "project construction."

(2) The heading, "finished products" may be changed to "commodities in storage" by business enterprises. If a bookkeeping method of assigning price at time of shipment is used, a heading called "retail store commodities" may be set up and a heading to show sources of funds can be set up that is called "difference between in and out price of commodities."

(3) The "sales" heading may be changed by construction industries to "project final accounting;" transportation enterprises may change it to "income from transportation;" and businesses and the service trades may change it to "business income."

(4) Agricultural and livestock raising enterprises can use headings such as "grain withheld for production" and "young livestock and livestock being fattened" etc.

This makes it possible for industrial enterprises both to have a fairly complete system of headings and allows other trades to have headings that are equivalent to those used in industrial enterprises, with plenty of room for selection of specialized headings.

To summarize the foregoing, in the course of improving the accounting system, it is necessary both to remember that the equipment in most township and town enterprises is rudimentary, techniques outmoded, information slow to filter down, and blindness in production very likely. It is necessary also to take into consideration the development of township and town enterprises' independent accounting, responsibility for their own profits and losses, no eating "out of a large common pot," small investment required, low operating expenses, strong competitiveness, considerable self-determination, "the ability to turn around a small boat quickly," and ease in responding to market demand.The use of accounting and bookkeeping, strengthening of management and sorting into categories to conduct supervision, can satisfy the needs of the state above for reporting of macroeconomic indicators, and meet the needs of economic activity for all trades and industries below to promote the healthy development of township and town enterprises.

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PROBLEMS OF CAPITAL GOODS PRICES, MACROECONOMIC MEASURES

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[Article by the Price Group of the Economic, Technical and Social Development Center of the State Council: "Concerning Problems of Capital Goods Having Two Different Prices and Macrocontrol Measures--An Investigative Report on Shijiazhuang, Wuhan, Changsha and Guangdong Provinces"]

[Text] I. Major Problems of Having Two Different Prices for Capital Goods

China now has two different prices for all major industrial capital goods, namely, planned prices and unplanned prices. The main problems brought about by this pricing system are as follows:

First, disruptions to the enterprises' normal operations. The removal of restrictions on the unplanned prices of the capital goods has given rise to a wave of price fluctuations. Many enterprises have reported that since last year, they have constantly received notices from the higher authorities or the cooperating enterprises concerning price increases of a somewhat compulsory nature. As a result, they found it difficult to exercise cost control, quota management and cost accounting. The price of a 4-meter vertical lathe produced by the Wuhan Heavy Machine-Tool Plant was originally set at 550,000 yuan after consultation with the customer. Because of the continued increase in the prices of pig iron, rolled steel, electrical machinery and roller-bearings, the production cost rose to 860,000 yuan. The loss from its production of extra-heavy machine tools has created great difficulties for the enterprises' business operations.

Second, planned supplies handicapped by the unplanned sales by the producers themselves. Since the unplanned prices of rolled steel and pig iron exceeded the planned prices one- to two-fold, and may increase the profits more than 10-fold, these attractive economic benefits have prompted many production enterprises to try every means to increase their own sales and to use their planned products for unplanned sales. That is why their execution of orders is unsatisfactory and failure to honor contracts is on the increase. Planned targets are now subject to a discount, and the consumers are forced to purchase raw materaials at higher prices to maintain their production. Thus the seeds were sown for a universal price inflation. To meet their increased outlay, when the prices of planned products could not be raised, the enterprises had to increase the portion of products to be sold by themselves at negotiated prices by squeezing something out of the production plan. This is the measure used by the enterprise to preserve its own interests and the measure which actually raised the ex-factory prices.

Third, the difficult problem of reselling for profits and the hoarding of capital goods in hot demand. Because of the two different prices of capital goods and the removal of restrictions on the transactions and the prices of above-quota capital goods, many trading companies, "centers," and sales agents have participated in capital goods dealings. In 1983, according to statistics compiled by the industrial and commercial departments, Guangdong Province had 2,010 units in charge of capital goods; in June 1985, this number was increased to 3,173, a 58 percent increase. Besides the units regularly in charge, there were even more units concurrently in charge. The links in the planned supply of capital goods have increased instead of diminishing, and each link provides the opportunity for price increase. Some administrative departments in charge working for their own gains have sold at increased prices those raw materials which should be supplied according to plans and at low price. Because of the many links involved, many planned capital goods were sold at unplanned high prices through various channels. Furthermore, a fairly large portion of the above-quota capital goods out of the production enterprises were sold at low, or only slightly higher prices (in exchange for the capital goods in hot demand, transportation facilities and electric power supply, or as a favor to some service companies run by the sons and daughters of these enterprises.) These capital goods could be sold later by the labor service companies through various channels at even higher prices. Under these conditions, the new intermediate links can hoard up large amounts of capital goods in hot demand and use them as "hard currency" to buy other materials. The increase in hoarding prevents the timely utilization of capital goods in production and circulation, resulting in a man-made strain on the supply-demand relationship.

Fourth, the large increase in the costs and prices of many industrial products. The supply of energy and raw materials in China consists of two portions, namely, the portion that is centrally distributed and the portion that is regulated by the market. The ratio of the latter has gradually increased in recent years and accounted for 30-50 percent of the materials used by many enterprises. Before February 1985, the state restricted the prices of energy and raw materials with administrative measures supplemented by price check-ups. These prices were held at a level slightly highly than that of state allocation (an upward float of about 20 percent). These prices soared rapidly after the removal of these restrictions in February. According to a rough estimate, about 30 percent of the major capital goods actually used in various localities were not included in the plans, and their prices more than doubled those of state allocation. From this, we may deduce that the general price level of the major capital goods in August 1985 would have been higher than at the beginning of the same year by more than 30 percent.

According to the market information we have on hand, the prices of machinery and other products of the processing industry have actually risen far above average. Since a fairly large portion of the products of the processing industry are for civilian consumption, the increase in raw material prices also means an increase in the prices of light industrial product. For example, the market prices of pig iron and aluminum ingots have more than doubled the state allocation prices, and it would be difficult for the producers of frying pans and aluminum utensils to absorb this price increase. Unless the supply of low price materials is increased or subsidy is forthcoming, these producers would be forced to increase the prices of their own products, to suspend their operation, or to switch to some other line of products (some frying pan factory in Guangdong have already suspended their operation) with direct effects of the market stability.

II. Positive Effects of Removing Restrictions on Capital Goods Prices

For various reasons, the readjustment of the unduly low capital goods prices has long been in arrear. Under such conditions, removing restrictions on the prices of unplanned capital goods has also its merits.

First, the upward floating of above-quota production goods has stimulated the development of energy and raw material production. In 1984, for example, Hebei's planned output of rolled steel was 3.47 million tons, and the actual output was 4.06 million tons, a 13.7 percent increase over the previous year. Its planned coal output was 5.5 million tons, and the actual output was 7.43 million tons, a 19 percent increase over last year. In the first half of 1985, compared with the same period last year, the rolled steel output again increased 14.1 percent, the coal output increased 27 percent, and the soda ash output increased 58 percent.

Second, it encouraged the energy and raw materials production enterprises to raise funds for technical transformation in the energy and raw material industries. In 1984, for example, the Xiangtan Iron and Steel Plant produced 480,000 tons of steel and 390,000 tons of rolled steel. Because of the lack of supplementary facilities for its productive capacity and the backward equipment used, this plant was in urgent need of technical transformation, and an estimated investment of 290 million yuan was required in the Seventh 5-Year Plan. However, the required funds could not be available readily. Since the removal of restrictions on the prices of above-quota capital goods in 1985, this enterprise was able to raised huge funds mainly through these channels: 1) 20 million yuan raised from the sales of its own above-quota rolled steel; 2) 5 million yuan from joint ventures with other plants dealing in rolled steel in and outside the province; and 3) 12 million yuan from tax reduction and exemption for the 30,000 tons of above-quota rolled steel handed over at the price of 1,350 yuan per ton to the provincial authorities for distribution. A total of 37 million yuan was raised through these three channels. Then with the addition of energy conservation funds, loans in lieu of state allocations and so forth, most of the funds required for this plant's technical transformation was raised. After the technical transformation, its steel output in 3 years may reach 700,000 tons and its rolled steel output may reach 560,000 tons, an increase of 46 percent and 44 percent over 1984 respectively, according to an estimate.

Third, the market prices have provided a new set of accounting standards and promoted the readjustment of the investment structure. The prices of energy and raw materials in China have been low for many years. Since the production cycle for these products was long, the investment returns were poor. Furthermore, most of the sporadic investments were used on the processing industry instead of the energy and raw material industries. In the past several years, however, vigorous economic development took place in various regions, and the demand for energy and raw materials were greatly increased. Because of the inadequate supplies, many local governments have stepped out to organize joint investments in the development of energy and raw material production.

Since last year, when the state formally decontrolled the prices of above-quota capital goods, the unplanned prices of all products in great demand were about doubled. This new price level now serves as the accounting standard. Because the mandatory plans generally will not be increased, all new capital goods can be sold at the market (or higher) prices. Under these conditions, the profit rate for these new investments is far higher than the average social profit rate, and the high profits have attracted funds to the heavy industry. At present, multiregional and multidepartmental investments in raw materials are now gradually increasing along with the increase in investment in local iron and steel plants. Many small blast furnaces have appeared in Shanxi along with the small iron smelting plants and small steel-rolling factories in some southern provinces and cities. The great enthusiasm of so many localities in setting up their own iron and steel plants indicates that the investment returns from short-supply goods are much greater than from ordinary products. However, because of the lack of planning, the failure to take resource conditions into account, and the tendency toward blind production, stronger measures in planning and guidance are urgently needed.

Fourth, the use of resources from foreign markets is now accelerated. For its economic development, China needs the industrial capital goods that are now in short supply, such as rolled steel, pig iron and aluminum ingot and the production of these items requires high energy consumption. If possible, more foreign resources should be utilized in order to satisfy domestic wants. In the past, however, the planned prices of rolled steel and some other products were rather low, while the imported rolled steel was expensive. That was why very little was imported by the localities except with state subsidy. The relationship between supply and demand in the country still could not be regulated. Since last year, the gap between the two prices for rolled steel and some other products has been widened, and selling unplanned capital goods at markedly higher prices has become increasingly common (particularly in Guangdong and some other places). The dealing in raw materials has thus become more profitable and given an impetus to the direct importation of rolled steel and other products. The increased use of foreign resources has helped a great deal in regulating the relationship between supply and demand in the country and also played a positive role in checking the rise of unplanned prices.

III. The Question of the Enterprise's Capability To Withstand Pressure

In the course of the reform of capital goods prices, the enterprises' capability to withstand heavy pressure is an important restraining factor. From our observations, most enterprises have this capability to a certain degree. Generally, the enterprises that operate efficiently with strong vitality have good capability, while those enterprises which rely on their "iron rice bowls" and are poorly managed have poor capability. In Hubei, for example, according to an analysis of the data of the provincial statistical bureau, since the second half of 1984, there has been a general increase in the prices of the major types of industrial and agricultural raw materials, but the increase in the prices of processed products was comparatively less. In 1984, the net increase in the prices of the products of 1,776 industrial enterprises included in the budget amounted to only 37.3 percent of the net increase in the expenditures caused by the increase in raw material prices, and the net increase in the expenditures of all industrial enterprises in the budget in the province amounted to 153 million yuan. Despite these changes in prices, and particularly the increase in raw material prices, the industrial enterprises throughout the provinces have been able, through their own efforts, to withstand the pressure of the increased prices. In 1984, the industrial enterprises in the budget increase both their production and their income. Their income was increased by 380 million yuan which, after offsetting the increased expenditures caused by the price and other factors, still left a net profit of 182 million yuan, an 11.2 percent increase.

Increased production, as the primary factor in increased income, also played an important role in withstanding and absorbing the pressure from price fluctuations. In 1984, the increased income of the enterprises in the budget throughout the province derived from increased production amounted to 213 million yuan, 55.6 percent of the total amount of increased income, and 1.4 times the increased expenditures caused by the price changes. The second factor is improvement in the varieties, structure and quality of products. In 1984, the province had 2,525 new products, and the proportion of fine-quality industrial products was increased from 8.4 percent in the previous year to 12 percent, and again to 17 percent in the first half of 1985. The increased income of the enterprises in the budget from this source amounted to 100 million yuan, 26.17 percent of the total increased income. The third factor is technical innovation and energy conservation. In the province, the increase in the consumption of the major raw materials in industry including coal, petroleum, electricity, rolled steel and pig iron was slower than the industrial growth, because of the reduced raw material consumption in most units. This factor enabled the enterprises in the budget to reduce their production costs by 69.75 million yuan, 18.2 percent of the total increase attributed to all the factors and 45.7 percent of the increased expenditures incurred from the changes in the prices of raw materials.

There are marked differences in the capability to withstand and absorb pressure among different departments and enterprises.

The departments and enterprises under the first category usually enjoy brisk sales and can usually withstand and absorb the pressure from the increased raw material prices. These departments and enterprises are of two different types. When the prices of the raw materials used by those of the first type were increased, the prices of their products were also increased by the same or even a wider margin. Thus the pressure of the increased prices of their raw materials was passed on to other departments or enterprises, or to the consumers. In 1984, for example, the increase in the prices of raw materials used by 64 metallurgical enterprises in the province amounted to 103.05

million yuan, while the increase in the prices of the rolled steel, pig iron and other metal materials they produced amounted to 102.59 million yuan, the two amounts being almost equal. Again in 1984, the increase in the prices of raw materials used by the the Jingmen Oil Refinery and the Wuhan Petrochemical Industrial Plant amounted to 1.52 million yuan; but the increase in the prices of their products accounted for a total of 59.84 million yuan which not only absorbed the pressure from the increased raw material prices, but also yielded an additional gain of 58.32 million yuan, 52.8 percent of the profits and taxes realized. Among those of the second type, the increase in the prices of their own products was far less than the increase in the prices of their raw materials. Mainly by increasing their output, improving the quality and varieties of products and reducing energy and raw material consumption, these department and enterprises were able not only to absorb the increased raw material prices but also improve their economic results. For example, the increase in the prices of raw materials used by 396 machine-tool enterprises in the provinces amounted to 40.67 million yuan, but the increase in their products' prices amounted to only 12.94 million yuan. The margin of increase in the prices of raw materials was 3.1 times that of their products, but the enterprises' profits in that year increased by 60.98 million yuan, a 32 percent increase over the previous year.

The sales of the departments and enterprises under the second category were sluggish. When the prices of their raw materials were raised, the prices of their products were also lowered. They were thus under double pressure. These departments and enterprises are of two types with regard to their capability to withstand pressure. Those of the first type mainly relied on their own efforts to increase production and practice economy, so that they could make up for their small profit margin with large turnovers and thereby withstand the pressure from the increase in raw material prices. For example, the prices of raw materials used by 531 light industrial enterprises in the budget (in the first and the second light industry) were raised by 14.55 million yuan, and the prices of their products were reduced by 12.73 million yuan. These two amounts added up to 27.28 million yuan. These trades made every effort to improve the quality of their products, increase their varieties, and lower their expenses and consumption. Their income was increased by 17.56 million yuan. Their increased output also added 20.88 million yuan to their income which then totaled 38.44 million yuan. After offsetting the increased outlay for the price changes, the whole sector still made a profit of 11.16 million yuan, and the total profit realized was 14.3 percent higher than in the previous year. The departments and enterprises of the second type had a decline in their output and found it difficult to withstand this double pressure. In 1984, for example, the prices of raw materials used by 159 textile enterprises in the budget were increased by 25.58 million yuan and the prices of their products were reduced by 34.45 million yuan. Their income was thus reduced by 60.03 million yuan. By reducing consumption and improving the varieties and quality of their products, they managed to increase their sales proceeds by 21.56 million yuan, which, however, accounted for only 35.9 percent of their reduced income.

From this analysis, we can see that most of the present enterprises are able to withstand and absorb the pressure from the increase in raw material prices to varying degrees depending on how easily can their products be marketed and by what margin can their output be increased. It shows that a balanced economic structure and an appropriate speed of economic development are the necessary conditions for the price reform.

IV. How To Solve the Problem of Two Different Prices for Capital Goods

The two prices of capital goods is an extraordinary form of China's price reform. This form has many defects. The present problem is that the difference between the planned and the unplanned prices of raw materials is too large, and that the increase in unplanned prices of products is excessive. The direct causes of this situation are as follows: First, the planned prices of products are too low and have not been readjusted. Second, the contradiction between the supply of and the demand for capital goods is too serious, with its roots in the excessive expansion of the scale of capital construction. Third, there are too many nonregular intermediate links in the sphere of circulation, and the prices can be increased at every level. Hence the excessive price inflation.

To solve the problem of two different prices of capital goods, there are three programs of action to be chosen now. First, a large-scale and comprehensive price readjustment. This program was discussed in 1984, but could not be acted on because of the wide range of issues involved and the many opposing views. Second, the removal of all restrictions. This program cannot be carried out in view of the general increase in demand and the possibility of a general increase in prices. Third, allowing these two prices to continue while appropriately increasing the speed of regulation and removing undue restrictions. This program will be easily accepted by the society and is practicable under the existing economic conditions.

It must be pointed out that the "double-track system" in the pricing of capital goods must not be confused with the "road of grain and edible oil," and that we cannot "cast away the burden" and let things take their natural course. Agricultural products are different from industrial products in many respects. First, the increased prices for above-quota procurement concerns the relationship between the state and the peasants, and the support for the continued increase in above-quota procurement at increased prices comes from the state treasury. Therefore, increased prices for above-quota procurement mean only an increase in grain price but do not basically affect the cost of other products. Second, the varieties of products for above-quota procurement at increased prices are not many. They are mainly grain, edible oil and cotton, and the state has always exercised strict control over their procurement so that illegal dealings on a national scale would be difficult. Third, the reproduction cycle for the staple agricultural products, such as grain, is fairly brief and the price increase can be a fairly strong incentive to production.

A comparison of the price reform for agricultural products with the price reform for industrial capital goods, and particularly the raw materials, will show many differences. First, the additional funds required as a result of the increase in the prices of industrial capital goods come from the consumers instead of the state treasury. They affect the relationship between enterprises without involving the state. That is why the increase in the price of an important product usually affects the production costs of many products followed by a sweeping chain reaction. Second, industrial capital goods are of numerous varieties. They are supplied to the enterprises throughout the country and the management is quite complex. When their circulation involves many units, illegal or fraudulent transactions are apt to occur and difficult to supervise or control. Third, the major capital goods, such as rolled steel which require long production cycles, can only be supplied in limited quaantities within short periods. When the contradiction between supply and demand is acute, relaxation of control would bring about the skyrocketing of prices.

Because of the important difference between industrial capital goods and agricultural products and the need to practice the "double-track system," it is necessary for the state to attempt various forms of regulation so as to eliminate the defects and preserve the merits and to solve the problem created by the coexistence of two prices. It should also create the necessary conditions for the two prices to merge into one.

V. The Macroeconomic Measures To Be Adopted

First, the increase in demand should be resolutely restricted. Increase in the general demand is the root cause of the soaring prices of unplanned capital goods. Unless this problem is solved, not much headway can be made in the reform of capital goods prices. The tightening measures adopted by the state may cause certain hardship among some enterprises and may even force some of them to suspend their production. This should be viewed as a calculated risk, and every precautionary measures should be taken. However, we must not allow this risk to shake our determination to take the required measures.

We must be aware of one important point. The localities mostly rely on the bank for investment. After the tightening of the money supply, there is now the vogue of fund raising by getting around bank supervision or control. Some local governments have also raised funds by apportionment in a desperate effort to get some capital construction project started. Some appropriate action should be taken in dealing with this situation; otherwise, it is quite possible that while the bank is controlling its credit, huge funds are raised in other ways to create new demands and thus to nullify the state's efforts in controlling the general demand.

Second, there must be the determination to readjust the prices of capital goods, which are now too low, at least once a year. The prices of many capital goods in China are still too low, and their examples can be found in the cement of large plants, the coal that is centrally distributed, petroleum, caustic soda, soda ash, electricity, some rolled steel, pig iron, aluminum ingots, mineral ores, and so forth. To expedite the price readjustment in an appropriate way, we must readjust the prices of the centrally distributed capital goods according to the capability of the national economy at least once a year, besides continuing to decontrol whatever should be decontrolled. The margin of readjustment for the products in hot demand, such as wire rods, should be wider in order to resolve the contradiction between supply and demand more quickly. At the same time, it can restrict the blind expansion of the capital construction scale to a certain extent.

Third, measures should be taken to increase the supply of capital goods which are now short of the demand. To solve the present problem of two prices of capital goods, we should, on the one hand, gradually raise the planned prices which are too low, and on the other hand, gradually lower the market prices to a reasonable level. We cannot use such administrative methods as setting ceiling prices to lower the market prices, because the existence of the many channels of trade transaction would render these methods ineffectual. The key to the solution lies in a balanced supply and demand. Therefore, we must encourage the increase in investment among some trades so that they may develop at an unprecedented speed. At present, the market prices of some capital goods in short supply have sounded a clear signal for investment, and multidimensional investments have begun to flow into the coal, iron and steel trades. However, the tightening of the money supply may restrict these investments. To bring about an early balance between supply and demand, some special loans for the development of energy and raw materials should be granted within the quotas set by the central and provincial governments. If the localities raise funds to develop the capital goods in short supply, the state may support them even by paying their loan interests. Furthermore, we may consider allowing the large and medium raw material producing enterprises to float high-interest bonds or to sell stock certificates so that more social funds can be used by the enterprises producing good economic results. On the whole, macroeconomic control must be coordinated with structural readjustment so that the former will not strangle the latter.

Fourth, we must clear the channels of circulation and reduce the intermediate links. As mentioned earlier, an important cause for the continued increase in capital goods prices is the obstacles to circulation and the existence of too many intermediate links. A basic way to solve this problem is to eliminate some of these intermediate links by adopting new and more efficient methods of trading. One method open to our choice is the establishment of a capital goods exchange market. The nature of this type of market is different from that of the trade center we now have, because it does not take part in capital goods exchanges. Instead of making profits out of these transactions, it provides the site, information and communications services for the convenience of the buyers and sellers. This exchange market should function in coordination with the government's industry and commerce administration and price administration organs in providing the necessary supervision and in notarizing each transaction. These capital goods exchange markets can be set up in the vicinity of the major production enterprises in the large cities, and branch markets may be set up in medium and small cities according to their conditions. These markets set up at different levels will combine to form a network to facilitate material exchange.

Special wholesale dealers play a supplementary role for these exchange markets. The state should review the present business units and then determine the number of these special wholesale dealers. These dealers should be selected through public bidding, and all the business units having passed their qualification examination are eligible for the bidding. Only the successful bidders can exercise their rights as capital goods wholesale dealers, and no other unit whatsoever can meddle in their business. In order that the producers and the wholesale dealers can be attracted to the exchange market, the state must at the initial stage formulate the necessary laws or regulations, requiring, for example, that the above-quota capital goods of the enterprises be sold publicly on the exchange market with compulsory procurement by the supplies department as the only alternative. These laws or regulations may also stipulate that transactions outside this market are illegal and liable to complete confiscation, once they are detected. When the functions of capital goods exchange markets have gradually become regular and the volume of transactions as well as the number of participating units continue to increase, these exchange markets' power of attraction will also be enhanced.

Fifth, in order to open and develop these capital goods exchange markets and to control the prices, starting this year, 2 million tons of rolled steel should be appropriated out of the central distribution plan each year to be sold on the exchange market. If all the restriction on the prices of mechnical and electrical appliances are removed in 1986, then the centralized suppy of raw materials to the machine-tool trade should be discontinued, and these raw materials should be sold at negotiated prices.

Sixth, taxation should be coordinated with the price reform. For the income of the enterprises from the sales of their capital goods at high prices, the state should decide on the proportion of profit to be retained by the enterprises according to different conditions. Generally, the old enterprises should retain more. The retained profits should be governed by certain regulations so as to ensure that they are used on technical transformation and not as consumption funds.

Seventh, the interest rates on loans should be raised to induce the enterprises to accelerate the turnover of funds, to reduce their stocks of raw materials, and to resolve the contradiction between supply and demand on the capital goods market.

The implementation of these measures must be based on our acceptance of the fact that the existence of a two-price system cannot be avoided for the time being, while, at the same time, we must actively create the conditions for the early transition to a one-price system. Since these measures involved on a wide range of issues, we must conduct specific and in-depth research before submitting our ideas and propositions for the reform of capital goods prices during the Seventh 5-Year Plan.

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NEW RULES ISSUED ON CONTROL OVER, TAXATION OF BONUSES

Beijing SHANGYE KUAIJI [BUSINESS ACCOUNTING] in Chinese, No 9, 10 Sep 85 pp 6-7

[Article by Wang Bingfeng [3769 3521 6912]: "Calculation of New Bonus Taxes and Control of Amounts of Bonuses"]

[Text] "Temporary Regulations For Taxes on Bonuses in State-owned Enterprises," which was published in a revised version by the State Council on 3 July 1985 provides as follows: All state-owned enterprises that have not yet instituted a floating total wage linked to economic results must pay taxes on state-owned enterprise bonuses in accordance with this regulation for all kinds of bonuses issued. Excess progressive tax rates are to be applied to taxes on bonuses and calculated by the year for collection. Graduated tax rates are as follows: If the total amount of bonuses awarded for the whole year does not exceed 4 months standard wages, there is no tax; that portion of the total amount of bonuses for the whole year that is greater than 4 and up to 5 months wages is to be taxed at a 30 percent rate. That portion of the total amount of bonuses for the whole year that is greater than 5 and up to 6 months standard wages is to be taxed at a 100 percent rate. That portion of the total amount of bonuses for the whole year that is greater than 6 months standard wages is to be taxed at a 300 percent rate. The regulations also provide that when the accumulated amount of bonuses to be issued by an enterprise for the whole year are greater than standard wages for 4 months, before issuing the bonus the enterprise is to first determine how much bonus funds are available and then calculate how many months of standard wages the bonus fund equals after which payments should be made on the basis of the amount of bonus funds available. The enterprise should also determine the maximum amount of bonuses that can be paid for the whole year because the taxes to be paid on bonuses are also to be listed as part of the "employee bonus fund." Two problems are discussed as follows;

1. How to Simplify the Calculation of Taxes on Bonuses

1. When the total amount of bonuses issued for the whole year are greater than standard wages for 4 months and up to 5 months:

Amount of tax to be paid = total amount of bonuses for the whole year x 30% - 4 x standard monthly wages x 30%

$$\text{Business unit's bonus per 100 yuan of sales} \quad \frac{\text{number of personnel in unit x annual bonus per person}}{\text{unit's annual profit quota / unit's profit rate}} \times 100\%$$

Once management has calculated the amount of bonus per 100 yuan of sales and the figures have been examined and approved by the leaders, they are to be sent to the business unit for action.

1. Issuance of bonuses by business units should be 50 percent for perfect attendance and 50 percent for sales.

2. Criteria for limit rates commodity funds and kinds of dealings should be increased or decreased in accordance with set proportions on the basis of how well quotas have been fulfilled.

3. Only when business units have fulfilled 90 percent or more of sales quotas may they receive bonuses. Sales quotas may normally be no less that actual performance during the previous year.

4. Product appearance, environmental sanitation and service attitude of business units are to be considered and inspected in accordance with prescribed requirement standards, with bonuses being increased or decreased on the basis of the results of evaluation.

5. In this way, criteria for a shop's sales, profits, numbers of personnel, limit rate, product funds and kinds of dealings become the responsibility of the shop itself and are closely linked to the welfare of staff members and workers. (The first three items named are in the formula that the business unit is to use for figuring issuance of bonuses. The last three items named are to be examined against prescribed standards, bonuses being increased or decreased onthe basis of the results of examination). Since implementation, major demonstrated advantages have been as follows:

1. After the earlier method of linking profits and bonuses in calculation of bonuses was changed to "linking of sales to the calculation of bonuses," every business unit has been able to know at all times what progress has been made in fulfilling sales quotas and how much should be received in bonuses. This has been of help in taking corrective action at once when discrepancies have come to notice, in making efforts to catch up, and in striving to overfulfill quotas.

2. The figuring of bonuses on the basis of each 100 yuan of sales has, because of the simplicity of procedures, greatly reduced the volume of work required of business units in making calculations, and it has helped reduce the work load of operating personnel.

3. Inasmuch as the amount of bonuses to be distributed per 100 yuan of business unit sales is figured in terms of the per capita amount of bonus funds to be distributed by each business unit of a shop, this solves the problem of inequities resulting from price differences for products sold and the amount of profit earned, and it has given strong impetus to the enthusiasm of units dealing in small products. From January through May 1985, volume of business of small product units increased 1.2-fold over what it had been in 1984, providing greater convience to the public.

1. When amount of bonuses distributed for the whole year is more than standard wages for 4 months and up to 5 months, the tax to be paid on the bonus = total mount of bonuses distributed for the whole year x 30% - standard wages for 1.2 months.

2. When amount of bonuses distributed for the whole year is more than standard wages for 5 months and up to 6 months, the amount of tax to be paid on the bonus = the total amount of bonuses distributed for the whole year x 100% - 4 x standard monthly wages ÷ standard monthly wages for 1 month x (1-30%) = the total amount of bonuses distributed for the whole year -4, which is standard wages for 7 months.

3. When amount of bonuses distributed for the whole year is more than the standard wage for 6 months, the amount of tax to be paid = the total amount of bonuses distributed for the whole year x 300% - standard wages for 1 month x (300%-30%) - standard wages for 1 month x (300% - 100%) = the total amount of bonuses distributed for the whole year x 300% - standard wages for 16.7 months.

For example, a certain business has 120 employees whose wages average 60 yuan per month per person. (Note: The Temporary Provisions on Bonuses rule that when the average wage is less than 60 yuan per month, 60 yuan will be used in calculations.) Figuring total standard wages for the business at 7,200 yuan per month, if the business wants to distribute its entire bonus funds of 45,000 yuan for the whole year, that will come to 6.25 months of standard wages. Calculations using the above formula yield the following:

Taxes to be paid on bonus = 45,000 x 300% - 16.7 x 7,200 = 14,760 yuan.

2. How to Find Out the Limit on Bonuses That Can Be Distributed

1. If employee bonus funds withheld for the whole year have not been greater than or equal to 4 months standard wages, the whole amount may be taken as the limit for bonus disbursements for the whole year.

2. Only when employee bonus funds withheld for the whole year are as much as 5.3 months of standard wages may a 4 to 5 months bonus be disbursed for the whole year. Because that portion of the bonus for the whole year that is not greater than standard wages for 4 months is exempt from payment of taxes, and since that portion that is greater than standard wages for 4 months and up to 5 months is taxed at 30 percent, the limit on bonus

disbursements for the whole year = standard wages for 4 months + standard wages for 1 month x (1 + 30%), which is standard wages for 5.3 months.

3. When the employee bonus funds withheld for the whole year amount to 7.3 months of standard wages, only then may a 5 to 6 month bonus be distributed for the whole year. The reason is the same as for the paragraph next above. That portion that is greater than standard wages for 5 months and up to 6 months is taxed at a 100 percent rate; hence the limit on bonuses to be distributed for the whole year is standard wages for 5.3 months + standard wages for 1 month x (1 +100%) = standard wages for 7.3 months.

4. If bonus funds withheld from employees for the whole year are greater than "standard wages for 7.3 months," then for every 4 yuan of bonus funds available, an additional bonus of 1 yuan may be distributed.

Let us use the previous example once again. A certain business' standard monthly wage payments are 7,200 yuan. If 45,000 yuan has already been withheld from employees as a bonus fund, this will be equal to standard wages for 7.5 months (54k,000 divided by 7,200 = 7.5), meaning that it is 1.440 yuan more than standard wages for 7.3 months (54,000 - 7,200 x 7.3 = 1,440 yuan). Figured on the basis of the above formula, in addition to the distribution of a bonus for 6 months, an additional bonus of 360 yuan may be distributed (i.e., 1,440 divided by 4 = 360).

A look at the two foregoing problems shows that though the State Council has abolished "no cap" on the bonuses that businesses may distribute, this is not the same thing as placing a limit on them. Adoption of a system of paying taxes on bonuses is an effective way in which to control increases in distributions of bonuses. Moreover, it is not the person who receives the bonus that pays the taxes but rather the unit that distributes the bonus. The regulations explicitly provide that should a unit delay the filing of tax payments, it is to be punished severely. If necessary, taxes to be paid and fines may be garnished from settlement accounts held in banks. In his "Government Work Report" delivered to the 3d Session of the NPC, Premier Zhao Ziyang said, "Steady rise in the standard of living founded on increases in production is the goal of socialism, and it is also an important principle in our economic work. ...entreprenural units should accurately handle the proportional relationship between accumulation and consumption in the distribution of earnings." At the end of 1984, in particular,there was an upsurge in unhealthy tendencies when some enterprises recklessly handed out bonuses, subsidies and material goods in utter disregard for the overall interests of the country. This resulted not only in loss of control over consumption funds,which advesely affected market prices, but also made it difficult for enterprises to find funds to pay taxes due on bonuses. It also seriously damaged the Party's programs and policies and adversely affected the four modernizations. The CPC Central Committee and the State Council acted promptly, deciding to use administrative, economic and legal means to halt these unhealthy tendencies. Its revision and publication of "Temporary Regulations For Taxes on Bonuses" was an economic means. Thus, we must earnestly pursue the country's methods for controlling and managing bonuses, and calculate strictly in accordance with regulations the taxes to be paid on bonuses.

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FINANCE AND BANKING

QUESTIONS, ANSWERS ON RURAL INDUSTRIAL CREDIT

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 8 Mar 86 p 3

[Summary of interview with a responsible official of Agricultural Bank of China's Credit Department by reporter Chen Xuan [7115 5503]: "Questions Concerning Rural Industrial Credit"; date, and place not given]

[Text] The Agricultural Bank of China has recently publicized the "Provisional Regulations on Rural Industrial Credit." In order that the town and township enterprises may correctly understand, interpret and closely abide by the stipulations, our reporter had an interview with a leading comrade of the credit department of the Agricultural Bank of China and asked him to explain and answer several specific questions concerning the "Regulations." A summary of the questions and answers is as follows:

Question: Please tell me about the meaning and purpose of the "Provisional Regulations on Rural Industrial Credit."

Answer: The purpose of the "Regulations" is to implement the principle of "active support, rational planning, correct guidance and more active management" laid down in the party's Proposal for the Seventh 5-Year Plan, for the rural industry to develop according to its own capability or by relying mainly on its own accumulation; to control the rural industrial credit effectively; to support the sustained, steady and harmonious development of the rural industry; and to invigorate the rural economy.

Question: To what are the "Regulations" applicable, and what is the scope of their application?

Answer: The "Regulations" are applicable to rural industry (meaning the collective industry, construction industry, and communications and transportation industry run by the towns, townships and villages), and the joint-household industry (meaning the collective industry of a cooperative nature). The joint-household industry or individual industry of a noncooperative nature will be supported and controlled by the banks and credit cooperatives in the form of agricultural side-line production loans.

Question: Under what conditions are enterprises legible for credit?

Answer: Enterprises are elegible for credit under the following conditions:

1. The enterprise must be a legal entity and in possession of a business license issued by the industry and commerce administration. For building a new enterprise, there must be a permit for the construction plan. The application must be first approved by the department in charge.

2. The enterprise must have the minimum decisionmaking power in production, business management and the disposition of funds. It must also have independent accounting and the leadership and managerial personnel with business and technical expertise. Furthermore, it must have its own funds of the required proportion, which it can manage permanently and which are unencumbered by other debts, a system of profit distribution, and some source of fund replenishment in the event of losses.

3. The enterprise must have sound financial, accounting and reporting systems, open an account in the Agricultural Bank, and report the relevant data according to regulations.

4. There must be guarantees for the redemption of its loans. The enterprise applying for credit must have suitable and easily marketable materials as security, and a unit of good economic standing to guarantee its redemption of loans.

Question: How many types of loans are there and what are their time limits?

Answer: The loans are of the following types:

1. Circulation fund loan. This is intended for those enterprises which are short of circulation funds for production and business operation. This loan is again divided into three types:

a. Capital loans. An enterprise should have 60 percent of the circulation funds for its quota assets. If its own funds are not up to the required 60 percent, it must be made up within a time limit. If the enterprise is unable to do so, it can apply for a capital loan as a solution to its problem. The time limit of capital loans for old enterprises put into operation before the end of 1983 is in principle up to the end of 1986; for the enterprises put into operation after the end of 1983, the time limit should in principle be 1 more year. In applying for a capital loan, the enterprise must submit its plans of replenishing its circulaton funds within these time limits.

b. Limited loan. This type of loan helps the enterprise fulfill its production and business plans of the current year when it reasonably requires more funds than can be provided by the normal circulation loans. The amount of loan is reviewed once every year or every quarter, and the amount within limit can be used as circulation funds. The time limit of this loan is based on the number of days required for the production funds' turnover. Before the determination of the time limit, the enterprises must submit realistic and reliable plans of production and marketing, as well as the plan for returning any funds that have been improperly used.

c. Temporary loan. This loan is intended for temporary financial needs arising from the seasonal effects on the purchase of raw materials or the marketing of products or from the centralized purchases of raw materials. Its time limit is based on the period of raw material consumption or the period of seasonal marketing, but generally does not exceed 6 months. The enterprises applying for temporary loans must clearly specify the reason for its application and the time of redemption.

2. Fixed asset loan. This is intended for the enterprises in need of funds to expand, improve, or maintain their reproductive capacity. It is divided into equipment loans for new enterprises, technical transformation loans for old enterprises and overhaul loans.

Equipment loans for new enterprises are intended to meet the needs of new enterprises with insufficient funds for investment in fixed assets. The use of these loans are limited to the purchase of equipment and productive construction materials and for installation expenses. The loan's time limit is generally 1 to 3 years, but not more than 5 years. In applying for this loan, the enterprise must submit to the bank or the credit cooperatve a detailed report on the raw material resources, energy supply, technical equipment, environment protection, business capability, the marketability and competitive strength of its products, the economic results, the sources of all funds, and the schedule of redemption. These loans can be granted only after the bank's examination and approval through the regular procedures.

Technical transformation loans for old enterprises. They are intended for enterprises in need of additional funds for their expansion or alteration, their equipment renovation, technical transformation, or other supportive facilities. These loans' time limit is generally 1 to 2 years, and not more than 3 years. In applying for this loan, the enterprises must report on how advanced are the equipment, techniques and technologies, the economic results, the sources of operating funds and the schedule of loan redemption. These loans can be granted only after examination and approval by the bank or the credit cooperative according to set procedures.

Overhaul loans. They are for enterprises with a system of overhaul funds, to be used when these funds turn out to be insufficient for the overhaul already started. The time limit cannot be more than 12 months. In applying for this loan, the enterprises must submit to the bank its plan to implement their overhaul funds system within the time limit.

Question: Which are the units to examine and approve the enterprises' applications for loans and what are procedures of application?

Answer: First, the applications for circulation fund loans and overhaul loans included in the fixed asset loans are mostly handled by the banks'county branches. The division of authority between the county branch and the bank, in which the enterprise has opened an account, to examine and approve these applications is determined by the county branch on the basis of the type of loan and the availability of funds.

Second, fixed asset loans must be controlled on the basis of the projects. Whether the branch banks, the central branches, the county branches, or the business offices are authorized to examine and approve the loan applications will be determined according to the size of loans for the enterprise or the project.

Third, the system of loan contracts should be adopted. When an enterprise borrows money from a bank, both parties should sign a loan contract according to the "Regulations of Loan Contracts." These contracts will be binding after their legal execution, and no party can unilaterally alter or abrogate them. Any amendment or abrogation of contracts under extraordinary circumstances must be carried out according to the "Regulations of Loan Contracts." Should the enterprise (including any enterprises or projects under construction), which is financed by the loan, be suspended at any time, then in accordance with the relevant stipulations in the "Regulations of Loan Contracts," the bank has the authority to register, seal, freeze, or dispose of the borrower's movable and immovable properties according to law for the redemption of the loan. If these properties are insufficient for the redemption, the bank can demand the enterprise's department in charge or the loan guarantor unit to clear up the debt on behalf of the enterprise.

Question: Do the "Regulations" provide any specific measures of supervision and sanction.

Answer: Yes. To be sure that the loans are properly used, the bank, according to the "Regulations," has the right to supervise and check the enterprises' activities in production, financial management, use of funds, stocking of goods and investment in fixed assets. The enterprises should truthfully report on these activities and provide the facilities for the bank's work. To safeguard the legitimate interests of both the borrowing and the lending parties, the bank can apply credit sanctions against any unit or individual who has arbitrarily appropriated the funds or materials of the borrowing enterprises, or against the department in charge who has taken an excessive share of the enterprise's profits. Credit sanction can also be applied when circulation fund loans are used as investment in fixed assets; when fixed asset loans are used on nonproductive capital construction; and when the funds intended for the replenishment of the operating funds according to regulations are used to cover the unrealized profits and taxes or the business losses. The other conditions under which credit sanctions are applied are as follows: when the enterprise fails to work out effective plans for the active disposal of their overstocked goods and for the collection of overdue payments; when the enterprise changes its legal representative under the system of contracted responsibility; when the enterprise fails to approach the bank in time for the change of its legal representative and to liquidate its debts; and when the department fails to promptly repay the debts of an enterprise which has been closed down.

The sanction is applied mainly by charging penalty interests, stopping further loans, repossessing the funds that have been appropriated in violation of regulations, and terminating the credit privileges for all the enterprises under the jurisdiction of the department in charge which is at fault.

Question: What are the main differences between the newly proclaimed "Methods" and the original methods?

Answer: The main differences are as follows:

First, the types of loans have been increased in the "Methods" to suit the characteristics of different enterprises in the use of funds. The capital loan and the limited loan under the category of circulation funds are normally needed for the enterprise's production. With the addition of the enterprise's circulation funds, these two funds will be adequate for the enterprises rational requirements. When the amount has been verified, the loan can be finalized between the enterprise and the credit personnel, and the procedures of examination and approval can be reduced. The capital loan is treated as a separate loan mainly because some enterprises do not attach any importance to accumulation during the distribution of profits at present. The interest rate for this type of loan has been raised, and can be set within a 20 percent range at the discretion of the branch banks. The fixed asset loans are divided into three different types mainly for the purpose of raising the interest rate for the equipment loans of new enterprises. This rate can also be set at the branch bank's discretion within a 20 percent range.

Second, the enterprises are urged to accelerate their fund accumulation. Among the qualifications required for an enterprise to obtain loans, it is stipulated that the enterprise must have not only its own funds of the required proportion but also a profit distribution system. To obtain capital loans under the category of circulation fund loans, the enterprise must submit its plan of increasing its own funds up to the required 60 percent within the time limit. The interest rate for this type of loan is higher. For credit sanction, it is stipulated that the department in charge or any individual who has arbitrarily appropriated the enterprise's funds and materials, or takes an excessive share of the enterprise's profits; and the enterprise failing to replenish its own funds according to plan or to redeem the loans will forfeit their credit privilege.

Third, the economic responsibility of the departments in charge has become heavier. The "Methods" stipulate that the establishment of any new enterprises must be first approved by the department in charge which will assume the responsibility for the loans of the enterprise. In setting up a new enterprise or undertaking any technical transformation project for an old enterprise, the department in charge must submit a report on the suitability of the advanced technology and the possibility of good economic results. When the legal representative of an enterprise is changed under the system of contracted responsibility, the department in charge must see to it that these enterprises go through the required procedures with the bank. If the enterprise is unable to redeem its loans, the department in charge must be held responsible; otherwise, the bank or the credit cooperative has the authority to terminate all the loans of all the enterprises under its jurisdiction. Above all, the department in charge cannot arbitrarily appropriate the enterprise's funds, materials or profits, and must promptly make good the losses incurred by the enterprise.

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STRATEGIC ISSUES IN FOREIGN CAPITAL USE DISCUSSED

Changchun SHEHUI KEXUE ZHANXIAN [SOCIAL SCIENCES FRONT] in Chinese Vol 8, No 3, Jul-Sep 85 pp 29-34

[Article by Chen Yinfang [7115 5593 2658] and Zhang Yangui [1728 1484 6311]: "The Importance Of Understanding Strategic Issues in the Use of Foreign Capital"]

[Excerpt] [1.] At the present stage, how do we go about mapping out a strategy of foreign capital use? Basically, by taking realities as our point of departure. There are two sides to realities. On the one hand, there are China's own circumstances, essentially the fact that we are a socialist nation and the world's largest developing country with a huge population. We are long on manpower but short on technical expertise and capital. We have a vast territory and abundant resources, but the nation is not evenly developed: while the coastal areas are relatively advanced economically, the interior is impoverished. Our resources have yet to be tapped, although our domestic market has tremendous potential. Right now we are riding the crest of a major reform to restructure the economic system in order to achieve a vital socialist economy. On the other hand, there are world realities: coexistence between socialist economic systems and capitalist economic systems, U.S.-USSR rivalry for world hegemony, and international tension. The 1980-82 world economic crisis has long receded, but Western nations have made only a shaky economic recovery and continue to be plagued by the problem of surplus capital and commodities. The USSR and Eastern Europe are also carrying out reforms. Many economically troubled Third World nations, whose growth has been sluggish, are burdened with mounting debts and frustrated by protectionism in and the technical monopoly of developed countries. Confronting them are the need to strengthen South-South cooperation, and the crucial task of transforming the old international economic order. They too are turning to foreign capital. Over the past 20 years, economic growth in the Pacific region has been faster than that anywhere else. With the entry of China, economic and technical exchanges in that region will only intensify in the future. Finally, the most salient feature about the world today is that a new international high-tech revolution is guarding China's door to enterprise technical transformation. Since all this, directly and otherwise, will influence our choice of a foreign capital use strategy and our realization of such a strategy, we must formulate our strategy in the real-world context.

The objective environment is extremely complex and the factors affecting our use of foreign capital are volatile. How do we determine the ideology which is to guide our use of foreign capital? By combining China's conditions and world economic development trends, we may come up with three basic premises which we should uphold unswervingly:

A. The use of foreign capital is a long-term strategy in socialist economic construction. The open door policy is China's basic long-term state policy. That foreign enterprises, individuals and other economic organizations shall be permitted to invest in China in accordance with our laws and regulations has been written into our constitution. The long-term nature of using foreign capital has been stated time and again in CPC Central Committee announcements and regulations and government documents. What has to be pointed out here is that since the use of foreign capital is a consistent long-term strategic measure, it follows that all government departments must take into consideration the need for and possibility of foreign capital and the scale and form of using foreign capital and fully assess its political and economic impact in the course of drawing up economic and social development strategies, plans, principles and policies; formulating resource development plans, technical modernization programs and training programs, and coordinating the development plans of and economic relations between various economic sectors, localities and enterprises. They must take the long-term view and the incremental approach to make headway slowly but surely, step by step.

B. In using foreign capital, we must have a national perspective. Ours is a planned economy. The idea that all the nation's economic activities must be coordinated like pieces in a chess game must be applied to every single aspect of economic construction. The state should centralize the use of foreign funds, set priorities and zero in on what is most important. At the same time, localities and enterprises must develop an enthusiasm for foreign economic activities, organize Chinese-foreign joint ventures, cooperative enterprises and wholly owned foreign enterprises and, within limits set by the state, expand economic and technical exchanges with the outside world and promote national economic development. Sectors, regions and even enterprises must help and support one another by pooling information, exchanging experience, synchronizing their moves and presenting a united front to the world. In the first stage of using foreign capital, in particular, we must prevent localities and enterprises from competing against one another for foreign capital and customers, lowering standards, undertaking projects indiscriminately and undermining one another. We must stop them from succumbing to unhealthy tendencies and competing against one another to the advantage of foreign businessmen. We must also take a national viewpoint in the course of "trading market for technology" and sorting out international balance-of-payments problems of joint ventures, cooperative enterprises and wholly owned foreign companies.

C. In using foreign capital, we must stress practical achievements and economic results and weigh pros and cons from every angle. The use of foreign capital can take myriad forms, e.g., we may seek long- and medium-term credit from foreign governments and international financial organizations to fund priority projects; we may float company bonds in the international market to raise funds for production; we may attract foreign businessmen to invest here and set up joint ventures and cooperative enterprises; we may also allow foreigners to set up wholly owned enterprises in designated localities. And so on. Foreign capital can be used in different ways and on different terms. When we borrow, we must repay capital with interest. When we attract foreign investments, we must let the foreign investor make a profit and take part in management. If all goes well, the project will help promote national economic development. If things do not work out, we may be drowned in a sea of debts and lose control. The pros and cons of all these moves are subject to a welter of factors, e.g., the purpose for which foreign capital is used, the capacity of the domestic infrastructure to deliver basic facilities, the standard of economic management and the economic results of the project in question. All these factors should be carefully considered, along with the extent of possible losses. Before we make a decision, we must prepare thorough feasibility studies and objectively weigh the minuses and pluses. "Good preparation ensures success, while lack of preparation dooms any enterprise." With a clear sense of what to expect and what not to expect, we will be prepared for any eventuality.

2. We have discussed above our strategic guiding ideology and objectives. Here we examine three issues relating to our strategic policies.

First, integrating import and export trade, technology import and the rational direct absorption of foreign capital. This integration falls into two categories. In the first category, export and import trade, technology import and the direct absorption of foreign capital are formally combined. In the second category, the three elements are combined in the best possible proportionate relationship.

In terms of the development of the international division of labor, export and import trade (the export and import of commodities) is at the lowest level, technology import (technical trade) is at a higher level and direct foreign investment is at an even higher level. According to systems theories, direct foreign investment naturally includes the first two levels, laying the objective basis for the three-in-one integration. However, since the three elements are at different levels, are governed by different rules and have different operational characteristics, they have different macroeconomic and microeconomic results. Hence the need for a strategic policy which rationally combines the three to act as a guide.

Let us discuss first of all the three-in-one integration between export trade, technology import and direct attraction of foreign capital. We can imagine a situation in which a foreign businessman decides to invest in China by setting up a joint venture. He will own a certain percentage of the shares of the enterprise and provide technology and equipment. The products of the enterprise will be exported overseas. In this way, export trade, technology importation and the direct absorption of foreign capital are formally brought together. Does this kind of formal integration lead to better economic results than a situation where the three functions are performed separately by three enterprises? On the microeconomic level, the results really depend on specific factors. On the macroeconomic level, however, in a country like China which lacks technology and capital and cannot yet exploit its potential resources, the three-in-one integration generates greater economic benefits than the sum of the individual results of three separate enterprises each doing its own thing. This is one reason why many developing nations in recent years have been working so hard to bring about such an integration in their use of foreign capital by encouraging the establishment of joint ventures and cooperative enterprises and resorting to such mechanisms as compensatory trade and processing and assembling. Such is one of the most effective measures of their foreign capital use strategy. By adopting this three-in-one strategy which seeks to merge export trade with technology import and the direct absorption of foreign capital, we may avoid the many pitfalls we experienced when we imported technology in the past, such as importing too many plants, duplication and the divorce between technology import and import-export trade, etc.

Another issue with the three-in-one integration has to do with the best proportionate relationship among the three functions. By and large, when we import capital and technology heavily, the cost of a piece of technology tends to increase in direct proportion to its economic results. But if we fail to integrate the technology with the nation's other resource advantages, ultimately the value of exports will fail to keep pace proportionally. The result will be a worsening international balance-of-payments deficit, which militates against the long-term importation of technology and the direct absorption of foreign investments. Another situation is one in which we concentrate on importing low-cost technology, which was what some nations did earlier in their export processing zones. While both direct foreign investments and export trade may register substantial gains, the amount of imported technology will remain rather low, thus retarding technical modernization in the industrial sector and giving rise to an abnormal situation of growth without development. Also, given our domestic and international conditions today, if direct foreign investment in all its diverse forms grows at a slower rate than that of export trade and technology import, it will be difficult to ensure a rapid increase in technology import or a correspondingly reasonable growth in export trade. The best ratio among the three functions should fluctuate within certain limits in response to the ups and downs of the world economy, particularly economic conditions in the West. For instance, when the Western economies are in the doldrums, we may have an easier time attracting foreign capital. But this is exactly the moment when we experience difficulty expanding our exports, which means a decline in our ability to pay with foreign exchange, which, in turn, will effectively limit the absolute amount of foreign funds we can absorb. Conversely, when the West bounces back economically, surplus foreign funds tend to dry up. But since we can now increase our exports, we have a greater capacity to repay capital with interest, which, in turn, will help our drive to attract more foreign capital and import more technology. In this way the best proportionate ratio among the three functions fluctuates within a certain range. We can thus see that in the long run, as long as they bear a correct proportionate relationship to one another, we can make full use of foreign capital, regardless of whether the Western economy waxes or wanes. There seems to be no reason to believe that only economic hard times in the West present us with the opportunity to use foreign capital.

Second, the integration of the open door policy with domestic economic and technical cooperation. This is a vital strategic policy.

From the perspective of technology transfer, there is a yawning gap between our technical and economic standards and those of the world, particularly those in advanced industrialized nations. This fact makes our decision to use foreign capital and engage in international economic exchanges a long-term strategic one. At the same time, unevenness in economic and technical developments also exist within China itself, especially between our coastal areas and the interior; the former is more productive than the latter. This fact determines that the development of technical cooperation between the coast and the interior is an essential route we should follow to expand reproduction in the hinterland. Consequently, technical cooperation between coastal areas and the interior is also an important strategic point. However, since China lags behind advanced industrial nations economically and technically, should we propose that both our coastal areas and the interior move at the same pace, open themselves to the world, use foreign capital and close the gaps between us and other nations as soon as possible? This question merits careful consideration. Usable funds, domestic or foreign, are limited. The economic and technical gaps between the coast and the interior are relatively wide. The greater the distance of technology transfer and dissemination, the higher the total social costs will be. On the other hand, a good infrastructure helps lower the total social costs of technology transfer. And relative to the interior, the coastal areas have a solid infrastructure already in place. They are also closer to world communications routes. For these reasons, they should naturally be the first places to be opened and attract foreign capital. Meanwhile, they should strengthen horizontal economic ties with the interior and, through economic and technical cooperation in all its different forms, transfer and disseminate their production technology and managerial experience in a targeted manner, including foreign technology and managerial experience. In this way, the interior will get to learn advanced technology and management without extensive investments. What it learns will be concrete, practical and can be quickly assimilated, probably more practical and useful than what it can import from outside. This strategy facilitates the coastal areas in playing its role as a springboard in external and domestic economic and technical exchanges and constitutes an approach we can take in order to face up to the new world technological revolution, transform old enterprises and promote industrial modernization. Certainly this is not to say that the interior cannot use foreign capital. Wherever conditions allow, foreign capital may be absorbed directly from outside, particularly to develop resources. All we are saying here is that there should be a general set of priorities. The slogan, "Push out into the world and cooperate with the interior," is of great significance and should be emphasized here.

Can the open door policy of the coastal areas and economic and technical cooperation between the coast and the interior go hand in hand? We think so, a conclusion we reach by looking at the main forms of domestic technical cooperation generally recognized by our experts. They are: 1) technical services; 2) compensatory trade; 3) transfer of scientific and technical achievements; 4) joint ventures; and 5) joint companies. A relatively sophisticated and wide-ranging form of technical cooperation, the joint company completely transcends departmentalism and regionalism and organizes supply, production and marketing under one roof in accordance with economic rationalism and the principle of specialization and cooperation. We can see from the above forms of cooperation that coast-interior technical cooperation manifests itself in ways similar to those of the use of foreign capital. The socialist nature of coast-interior technical cooperation, moreover, gives it a unique advantage lacking in the use of foreign capital (where socialist enterprises engage in technical cooperation with their capitalist counterparts). It is a feasible strategy for the coastal areas to be opened to the world and use foreign capital while cooperating with the interior economically and technically at the same time.

Third, combining the energetic pursuit of foreign capital with the protection of domestic industries and the enhancement of China's self-reliance.

Today, conditions both at home and abroad dictate that we gradually give up part of the domestic market in exchange for advanced technology. But any heavy absorption of foreign capital (including foreign technology) inevitably deals a blow to domestic industries and may even undermine our tradition of self-reliance. To cushion the blow and strengthen our self-reliance, it is imperative that we put forward the strategic policy of combining the energetic pursuit of foreign capital with the protection of domestic industries and the enhancement of China's self-reliance.

This strategic policy requires that we must first clarify answers to these questions: Does the use of foreign capital to speed up the modernization of old enterprises really help them? Or is it, in general, a hindrance? For weak industrial sectors, does imported capital help correct the lopsided industrial structure, or does it aggravate it? How effective is the use of foreign capital in promoting production in related industries?

Because the importation of technology and use of foreign capital basically bridge the technical gap between us and advanced industrialized nations, they are compatible with the protection of domestic industries and the strengthening of self-reliance. Herein lies the possibility for their integration. In the wake of dramatic changes in China's national economy and its economic development strategies, the concept of protecting domestic industries must also be modified substantively. Whereas it meant absolute protection before the 1970's, now it refers to relative protection. In the past it was passive protection; today it is active protection. Relative, active protection should fire the competitiveness of our enterprises, stimulating them to upgrade production technology standards, improve managerial methods and appropriately apply imported capital to strengthen the technical capabilities of existing enterprises, and systematically and gradually modernize old enterprises even as portions of the domestic market are opened to the world. Protective measures of a specific duration should also be instituted to promote the healthy development of domestic industries and narrow the gaps between us and the world. By combining the use of foreign capital organically with the protection of domestic industries, we shall be able to use foreign capital as a catalyst, modernize old enterprises, strengthen the industrial effects of imported technology and increase the domestic content of products manufactured by wholly owned foreign enterprises and Chinese-foreign joint ventures in the country. In the process domestic industries will gain in economic vitality and be able to hold their own in international competition in an open environment.

The above discussion shows that the open door policy and the restructuring of the economic system are so intimately linked that they cannot be separated. The former needs the latter; the latter, in turn, nurtures the former's success.

3. To achieve a breakthrough in the attraction of foreign capital, China in recent years has taken a series of major measures and steps, from the signing of economic cooperation agreements (including investment protection treaties,) the opening of coastal cities and the formulation of necessary laws and regulations to relax policies, granting preferential treatment and diversifying capital sources and methods of using such capital. On the whole, these measures have been effective in attracting foreign capital. Since their orientation has already been clarified and understood, we will merely discuss a number of related strategic points.

A. The question of increasing our ability to make payments with foreign exchange. To speed up the importation of foreign technology and the attraction of foreign capital, we must increase our ability to make payments with foreign exchange. Internationally, the debt service ratio (DSR) is used as a yardstick to measure the riskiness of a loan or investment. The rule of thumb is that a nation's annual capital and interest payments on its debts should not exceed 20 percent of its foreign exchange income. Anything below that is considered relatively safe. At the moment, of course, China is a long way from the 20 percent mark. Because of development, however, our regular expenditures will probably increase faster than our regular income in the future, so how to increase our foreign exchange earnings remains a critical issue.

The foremost foreign exchange earner is exports. China's export potential is immense and we have been running a trade surplus since 1981. It can be foreseen that in the future, after we reform our foreign trade system, institute an import and export agent system, expand trade channels and mobilize the sectors' and localities' enthusiasm for developing exports, our foreign trade will enter a new era. From a strategic viewpoint, though, we may do better if we pay closer attention to tapping new sources of foreign exchange. We have had notable achievements in undertaking engineering projects overseas and in labor service cooperation. From now on we should branch out geographically, instead of confining ourselves to the Middle East. A good deal of potential awaits exploitation in such service sectors as international transportation, banking, insurance, tourism and consulting. Also to be developed gradually are multinational operations, overseas investments and the establishment of joint ventures and cooperative enterprises overseas in cooperation with foreign businessmen.

To make full use of domestic and foreign resources and capture both the international market as well as the domestic one, we must venture out as well as import from abroad. Instead of conflicting with each other, investing overseas and attracting foreign capital are actually complementary. Over the past decade, many developing nations (including some saddled with massive debts) have developed their own multinational enterprises and earned handsome profits and substantial foreign exchange as a result. Some of our qualified enterprises should orient themselves to the world likewise and go multinational. This is a trend in international economic development which offers many advantages and should be encouraged.

Once we increase our ability to earn foreign exchange, we can enlarge the extent to which we use foreign capital, relax foreign exchange controls and be more flexible in how we attract foreign capital.

B. The question of preferential treatment for foreign investors. It is a common practice worldwide (adopted even by developed nations) to offer preferential treatment as an inducement to foreign investors. But what constitutes preferential treatment? How preferential should it be? Answers to these questions vary from nation to nation because of different national conditions. Also, a nation may offer differential preferential terms at different points in time. Even after they were drawn up, preferential regulations may be set aside in favor of special measures to deal with a special set of circumstances. Ours is a planned economy. In that regard, the guaranteed supply of raw materials, low-cost labor and the availability of part of the domestic market all constitute important preferential treatment. So do tax breaks and tax exemptions, the freedom to repatriate profits, the leasing of superior physical sites and favorable credit terms. But we must clearly understand the premise on which we base our policy of preferential treatment for foreign investors: It must help speed up China's four modernizations as well as generate more profits for foreigners. As foreign capital originates in a variety of sources and investments come in all forms and shapes, we should vary preferential treatment in accordance with the nature of the investment, the technological standards involved, the industry concerned and regional factors so that he who contributes more will also reap greater economic dividends. When the government formulates preferential measures, there should be a set of uniform standards. But there must also be a range within which localities and enterprises can modify these standards so that they have some room to maneuver in their negotiations with different investors.

C. The training of personnel for management and external economic and technical operations. As China's external economic work unfolds, the need for personnel in this and other areas will increase each year. Foreigners investing in China and setting up joint ventures, cooperative enterprises or wholly owned companies, not to mention the establishment of Chinese multinational enterprises, also create a need for Chinese technical and managerial personnel. Hence it will be a strategic policy to train people for external work. Such people must be armed with professional expertise, practical experience and socialist consciousness. A person unfamiliar with the nuts and bolts of business and the management of foreign capital will not be able to move beyond generalities. On the other hand, he must also be able to withstand the onslaught of all manner of temptations and maintain a realistic outlook, dealing as he will be in trade and business and moving in capitalist circles. Our trainees should include working cadres as well as young people about to join the work force. Training may be offered by institutions of higher education and professional schools or conducted through courses designed to meet specific needs, which need not be elaborated here.

D. Streamlining administration and delegating power to give play to the initiative of enterprises and localities.

As enterprises are directly responsible for social production and commodity circulation, the CPC Central Committee has decided to make enterprise vitalization the core of the restructuring of the urban economic system and to continue to streamline administration and delegate power so that enterprises become genuinely self-managed, financially independent economic entities under the guidance of the state's uniform policies and planning. The Central Committee's decisions have significantly boosted the enterprises' interest in using foreign capital and importing technology, fueled their keenness to compete internationally, (particularly that of large enterprises,) and compelled them to seriously ponder the use of foreign capital, organize joint ventures, import technology, propose projects, organize production and arrange for the repayment of loans and distribution of profits. Thus was laid a solid foundation for the management of foreign capital and the improvement of the economic results of the use of such capital. Besides, streamlining administration and delegating power to allow localities to develop economic ties with the world directly and expanding their examination-and-approval authority may also unleash their initiative, especially that of opened coastal cities, and help bring about an attractive investment environment as soon as possible. The attraction of foreign capital may expand production capacity and promote social prosperity and modernization. Nevertheless, there are times when it poses additional demands on our ability to coordinate existing enterprises, technology and funds, puts new pressure on various infrastructural facilities and creates a succession of problems in all areas of social life. We should rely on a well-coordinated and multilevel management system and the further implementation of the principle of power, responsibilities and rights to sort out these relationships and issues. Even more urgent are the simplification of the examination-and-approval procedures, integrating the management channels and enforcing various policies and regulations.

In addition, serious consideration should be given to the exchange of data and information, the establishment of an information system and the setting up of information centers in key areas. Also to be considered is the establishment of a specialized management agency to coordinate the pace at which sectors and localities are using foreign capital and to remove impediments in all quarters.

In short, foreign capital use involves many aspects and its success depends on a multitude of factors. In implementing our strategic policies, we must be systematic and flexible and appeal to people's initiative. The important thing is to learn and investigate in order to come up with rules and principles.

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GUANGZHOU ACHIEVEMENTS AFTER 6 YEARS'OPEN-DOOR POLICY

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 43, 28 Oct 85 p 31

[Article by special correspondent Zhang Xianmin [1728 2009 3046]: "Outstanding Achievements of Guangzhou in the 6 Years of Open-Door Policy"]

[Text] Guangzhou occupies a conspicuous and important place in the entire country's economic opening up toward the outside world. In 1979 the CPC Central Committee and the State Council approved the implementation of special policies and flexible measures in the provinces of Guangdong and Fujian. In 1984 the Central Committee and the State Council included the city of Guangzhou among the 14 coastal ports that were to further open up toward the outside world. Later, Guangzhou Municipality was restored to the status of a separate planning unit, was allowed to institute an economic technology development zone and granted the powers of a province of the first rank in economic administrative affairs. Guangzhou took full advantage of all the special policies and the favorable treatment bestowed on it by the central authorities and fully utilized its unique socioeconomic and natural geographic advantages to achieve outstanding successes in the utilization of foreign capital, the importation of technologies and in the acceleration of its economic construction.

During the period from 1979 to the end of June of this year, the city signed more than 16,600 economic and technical cooperation contracts of every kind with foreign businessmen, who according to these contract are to bring in a total of $1.84 billion in investment capital and expenditure for labor. Among these contracts, 437 were joint ventures, cooperative management and compensation trade contracts, of which the foreign investments amount to $949 million; the amount already actually invested is about $328 million. The contracts for the processing or assembly of imported materials number 16,165, involving labor expenses of $870 million; the sum of actual foreign exchange settlements so far and the value of equipment that has already arrived add up to a total of $240 million. As to foreign trade, the value of exports during 1984 was $350 million, almost double the amount of 1978. The total during the first half of this year was $150 million, or 6.09 percent over the amount during the corresponding period last year.

In a little over 6 years, the foreign economic and trade relations of Guangzhou Municipality have grown from little to much, from small to big, in a process of incessant increase and continuous development. This fact is brought out in concrete terms in the following five changes:

1. The patterns of using foreign capital and importing technologies have advanced from mainly very simple "three bring-in's and one compensate" to a number of large and medium-sized joint venture and cooperative projects. In the use of foreign capital, the period from 1978 to 1980 was the initial stage, when the city of Guangzhou conducted all its foreign business mainly in the form of the "three bring-in's and one compensate." Since 1984 the central authorities gave Guangzhou broader authority to conduct foreign trade, and this gave strong impetus to foreign trade undertakings. Last year, 24 joint venture contracts were signed, which was 7 time the number of the preceding years; another 114 contracts were for cooperative management enterprises, which was more than during all the 5 preceding years together. In the first half of this year, the momentum of a continuous increase in foreign trade was well maintained, with a total of 56 joint ventures and the contractual investment by foreign businessmen of $150 million.

2. The direction of foreign investments shifted from tourist service trades and spread quickly to industry, agriculture, communications and transportation. In the last few years, Guangzhou built a number of high-class hotels to improve the investment environment, making it more attractive for foreign businessmen to come to Guangzhou and invest there, and in that respect was very effective. Beginning last year, Guangzhou started out from consideration of the overall plan of the national economy and strengthened its guidance of investments with the special idea of larger proportions of them to go to industry, communications and agriculture. Last year, the amount of foreign investments derived from newly concluded contracts used in these particular respects accounted for 30 percent of the total annual foreign investments, and this proportion rose to 41 percent during the first half of this year.

3. While cooperation in the past was mainly with parties from Hong Kong and Macao, Guangzhou now gradually has developed economic cooperative relations with more than 10 countries, among them France, the United States, Japan, Singapore, Canada, Thailand, the FRG, Belgium and Great Britain.

4. The procedure for checking and approving projects was changed from one of great cumbersomeness to one of simplicity and facility. Last year, Guangzhou Municipality as a further step delegated the authority for the checking and approval of projects of $2 million or less to its subordinate districts, counties and bureaus, thereby stimulating enthusiasm in all sectors and accelerating the utilization of foreign capital. Guangzhou also set up a "foreign trade one-way street," which greatly facilitated negotiations and dealings with foreign businessmen in Guangzhou and raised work efficiency.

5. In the course of the practical work involved in foreign economic relations and trade, Guangzhou gradually built up a contingent of key cadres, highly proficient in their work, with a good grasp of policies involved and the boldness of breaking new ground, professionally; this proves to be an extremely valuable asset in all of Guangzhou's activities connected with its opening up for foreign trade. The continuous expansion and qualitative

improvement of this contingent will play an even greater role in the future development of Guangzhou's foreign trade.

The conspicuous changes in the mentioned five aspects have already played an outstanding role in the development of Guangzhou's national economic construction and have resulted in excellent socioeconomic benefits.

First, funds for economic construction increased, and a series of large-scale projects could be undertaken. Since 1981 Guangzhou used over $500 million of direct foreign investments for capital constructions, accounting for 27 percent of the total investment for capital constructions by entities owned by the whole people. With these funds, 500,000 sq m of tourist hotels, 150,000 sq m of apartment houses and the Zhujiang Brewery with an annual production of 50,000 tons of beer have been built. Furthermore, the Zhujiang Cement Works with an annual production of 1.25 million tons of cement, a refrigerator compressor factory with an annual output of 1 million pieces of products and a compact motorcar factory with an annual output of 50,000 cars are now under construction.

Second, the technological transformation of enterprises and their technical progress was much accelerated. Since 1978 through the use of foreign investments and with foreign exchange funds raised by the enterprises themselves, over 150 production lines and several tens of thousands of pieces of equipment have been imported, such as, for instance, a production line for containers for the manufacture of polyurethane synthetic leather and for the manufacture of refrigerators, all items that were new in China at the time of their importation. The importation of machinery for rubber-sheathed lead cables, large circular knitting looms, and of technological software for beer fermentation and for the manufacture of electric elevators enabled a large number of enterprises to be transformed. The importation from the United States of livestock raising equipment and poultry stock enabled the annual production of over 90,000 chickens and 3 million jin of fresh eggs. The importation from West Germany of technology for the raising of high-quality fish for consumption brought production up to the advanced level of the 1980's. Imported were, furthermore, "abalone mushrooms", milk cows, rainbow fish, lean-meat pigs, and other items, promoting the development of the animal raising industries.

Third, the establishment of a group of key enterprises which play an exemplary role in the economic construction of Guangzhou. Such are the Guangzhou Beer Brewery, the Zhujiang Beer Brewery, the Guangzhou No 1 Rubber Factory, the electronic watch assembly, electric household appliance assembly, the Guangzhou piano factory, and in the preparatory stages: easy-open cans with an annual output of 250 million, spinning mills with 23,000 spindles, and equipment for the manufacture of 50,000 compact motorcars per year. There are now more than 30 enterprises in Guangzhou that generate more than $1 million in foreign exchange, with a total capital of $250 million, among which foreign investments account for $96.56 million.

Fourth, innovations in the basic level of digestion and absorption of advanced equipment and technologies imported from abroad. The Guangzhou Electric Elevator Factory imported from Japan three sets of manufacturing equipment and software technologies for 16 different models of elevators, which are now being used in Chinese production, with the products enjoying brisk domestic sales. The Guangzhou Construction Machinery Co is manufacturing quarto automatic platform printing machines modeled after British machines, having already produced over 110 machines and thus providing advanced equipment for the technological transformation of the printing industry. The importation from Japan of a production line for oil-fried instant noodles led to the new creation of 28 production lines for non-oily wavy noodles.

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ROLE OF CCIC IN FOREIGN TRADE DISCUSSED

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 9, 27 Sep 85 pp 56-57

[Article by Yang Deqiao [2799 1795 2884]: "The China Import and Export Commodity Inspection Corporation Plays an Important Role in International Trade"]

[Text] At a time when we are aggressively vitalizing our economy at home and firmly carrying out the open door policy, in what ways can commodity inspection better serve foreign trade? At the Guangzhou Trade Fair last spring, I interviewed Comrade Zhang Erduan [1728 1422 4551], business manager of the China Import and Export Commodity Inspection Corporation [CCIC]. The following is a record of her briefing.

1. The Nature of the China Import and Export Commodity Inspection Corporation

With the approval of the State Council, the CCIC was formally set up in July 1980, and branches of the corporation were simultaneously established in China's major ports. As an impartial third party, the corporation uses scientific methods to test imports and exports in order to facilitate commodity exchanges, accounts settlement, price calculation and the reasonable solution of compensation claims, and protect the legitimate rights and interests of parties involved. Its primary function is import and export commodity inspection and fair appraisal.

Mandated by the State Commodity Inspection Bureau of the People's Republic of China (hereafter referred to as the State Commodity Inspection Bureau) and based on the "Commodity Inspection Regulations" and the "Rules for Implementing the Commodity Inspection Regulations," promulgated by the State Council on 28 January 1984, the corporation is the entity responsible for fair and independent testing in foreign trade.

2. The Legal Status of the CCIC

The corporation is a statutory organization established with the approval of the State Council and formally designated as a commodity inspection agency by the State Commodity Inspection Bureau. It carries out fair appraisal and testing in foreign trade and signs and issues a variety of inspection and appraisal certificates. It acts upon applications by units involved in foreign trade, transportation, insurance and other related areas; by a department which takes delivery of imports or uses them, or their transportation agency; or by a department which produces or supplies exports. It can also undertake an inspection at the request of a foreign inspection agency or when mandated by an arbitration or judicial agency. Certificates signed and issued by the CCIC are valid evidence in the conduct of import and export commodity exchange, accounts settlement, cost calculation, customs declaration, tax payment and the settlement of compensation claims. They are legally enforceable and constitute valid evidence in international trade.

3. A Sound Organizational Structure

The CCIC is a managerial agency under the leadership of a managing director. It is made up of a business department, an agricultural and animal husbandry products inspection department, a light and textile industrial products inspection department, a machinery, mineral and chemical industrial products inspection department, a fair appraisal department as well as administrative and managerial departments. Branches have been set up in trading ports, notably such provinces, municipalities and autonomous regions as Beijing, Shanghai, Tianjin, Guangdong, Liaoning, Shandong, Jiangsu, Fujian, Guangxi, Zhejiang, Hebei, Heilongjiang, Nei Monggol, Hubei, Sichuan and Xiamen. In addition, inspection centers have been organized in Shanghai, Tianjin, Dalian, Guangzhou, Beijing, Qingdao, Wuhan and Nanning. All branch corporations and inspection centers are fitted with inspection equipment and facilities advanced by international as well as domestic standards, such as gas and liquid chromatographers, ultraviolet and infrared spectrophotometers, fluorescent microscopes, atomic absorption spectrophotometers and emission spectrum test equipment which are capable of testing and determining accurately and precisely the chemical composition and physical properties of exports and imports and the presence of any harmful elements and toxic viral substances.

The CCIC has a staff of more than 5,000 people, including 3,000 engineers, appraisers, assistant engineers and inspection technicians from all disciplines. Many of them are experts with years of experience behind them.

4. The Subordination Of The CCIC To The State Commodity Inspection Bureau

In accordance with the "Commodity Inspection Regulations" of the State Council, the State Commodity Inspection Bureau is in charge of the overall supervision and management of all export and import commodity inspection in the country. Its main functions are to carry out quality control with regard to imports and exports and centralize supervision over and management of commodity inspection and appraisal. The CCIC and its branches are all inspection organs designated by the bureau to undertake independent inspection and appraisal at the request of and in accordance with the demand of parties in foreign trade and foreign testing agencies.

Administratively subordinate to the bureau, the CCIC discharges its inspection and appraisal duties independently. Its branches are subordinate to the leadership of the corporation.

5. Inspection Basis and Standards

In general, the CCIC carries out sample testing in accordance with a contract or letter of credit. If the contract or letter of credit does not specify the inspection basis of an import, the CCIC will follow existing standards in the country of origin, or international standards. Exports are tested in accordance with relevant Chinese standards. If the party which commissions the test requests that such standards as the "BS" standards, "FS" standards and "ASTM" standards be followed, the CCIC will also oblige. When the party commissioning a job has specific demands with regard to standards, it must so state and provide the necessary technical data.

6. Export Inspection Methods

Generally speaking, the CCIC carries out sample tests on exports before they are packed for shipment. It may also dispatch personnel to do inspection at a factory if the party commissioning the test so requests. In addition, the CCIC examines raw materials and supervises processing to ensure product quality.

7. Extensive Business Connections

Since its establishment, the CCIC has rapidly developed a web of cooperative business relations with foreign testing organizations, businessmen, and firms through the exchange of delegations and inspection technology and by commissioning one another to undertake tests. So far it has had business dealings with about 100 companies, most of them in Japan, the United States, Britain, the Federal Republic of Germany, Switzerland, Sweden, Australia, Peru, Cuba, Thailand, the Netherlands, Spain, Belgium, Mexico, Romania and Hong Kong. The CCIC has concluded long-term cooperation agreements with many foreign testing organizations, notably Underwriters' Laboratories [UL] of the United States, the International Wool Secretariat [IWS], General Appraisal Co [SGS] of Geneva, the "CCALEB Brett" Co of Britain, the International Group [AIG] of the U.S., Japan Maritime Testing Association [NKKK], New Japan Testing Association, the Japan Inspection Association, the Japan Grains Testing Association, Japan Overseas Merchandise Testing Society [OMIC] and the Japan Petroleum Products Testing Association, etc. The CCIC and its branches have been recognized by the International Rubber Institute as rubber inspectors. There is a total of 17 inspection workers in the various branches who have been recognized as apparel inspectors by the IWS. The CCIC's agent in the Hong Kong region is China Inspection Co, Ltd.

8. The Setting of Inspection Fees

A non-profit organization, the CCIC charges an inspection fee to cover service expenses and the wear and tear of equipment and facilities. It sets its fees reasonably and fairly through consultation on a case-by-case basis, taking into account such factors as the size of the batch, the complexity of the job, the level of expertise and the amount of labor required by the commodity value. In cases where the fee is calculated in accordance with the time required, the going rate is $15 per hour. When it is calculated in accordance with commodity value, it is usually 5 percent. The CCIC also has appropriate preferential rates for long-term clients and those who commission it to do large or multiple jobs. The minimum fee for a single job is $100 and additional charges such as overtime pay, travel allowance and expenses for renting transportation equipment be imposed if necessary.

9. When Inspected Products Cause Problems Abroad

The CCIC carries out sample testing at the request of a commissioner and in accordance with standards specified in the contract. When the quality of a product is relatively consistent, the testing can serve as a guarantee of product quality and reduces the risk of the buyer. But product inspection does not absolve the seller from contract liability. This is because commissioning a third party to carry out testing is not the same thing as the buyer doing his own checking before acceptance or as total quality guarantee. When a quality problem occurs, the CCIC helps identify the cause of the problem and pinpoint responsibility, thereby facilitating the resolution of the problem.

10. The Procedures Of Commissioning the CCIC To Do A Job

When international trading concerns, enterprises, firms, transport insurance companies and fair appraisal agencies concerned need to commission the CCIC to undertake an inspection and appraisal job, they can write, call, personally visit or in some other way contact any one of its branches. Alternatively they may specify in the contract or letter of credit that inspection be carried out by the CCIC with all expenses to be paid by the commissioner.

If the job commissioned involves several ports, the client may approach the CCIC for the latter to organize the work among the branches concerned.

In commissioning a job, international traders, enterprises, firms, transportation insurance companies and testing organizations must specify the project to be inspected and other specific demands and supply the name of the contact unit, its address and other information relating to the contract and bill of lading. To facilitate business, the CCIC may also conclude long-term or single-project inspection agreements with traders, enterprises, firms and testing organizations.

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PROSPECTS FOR EXPORTS TO JAPAN OVER NEXT 5 YEARS

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 9, 27 Sep 85 pp 53-55

[Article by Xu Chengwen [1776 7022 2429]: "China Can Increase Exports to Japan, If It Tries"]

[Text] In 1980 Chinese-Japanese trade approached $10 billion (Japanese statistics, as are the data below). Can the value of Chinese-Japanese trade quadruple and hit $40 billion by the end of the century? The answer to a large extent depends on whether or not it can double and reach $20 billion in the next 5 years, i.e., by 1990.

We are pleased to see that Chinese-Japanese trade was already worth $13.2 billion in 1984, up almost 40 percent over 1980. The average annual growth rate was about 10 percent. If this rate can be sustained, Chinese-Japanese trade can easily double in value and reach $20 billion by 1990.

The crucial question is whether our exports to Japan can increase to $10 billion. In 1980 they were valued at $5.96 billion, up 38 percent over 1980's exports of $4.32 billion. The average annual growth rate was a little over 9 percent. If our exports to Japan continue to expand at this rate, they can possibly be worth $10 billion in 1990.

On the other hand, we must realize the difficulties involved in boosting our exports to $10 billion within 5 years. Our approach should be to consolidate and develop our "bread and butter" exports, develop new commodities, expand the export of small and medium products, step up publicity and sales promotion and do everything possible to coordinate our exports.

1. Consolidating And Developing Our "Bread and Butter" Exports to Japan

What are the main problems we should tackle in order to increase our exports to Japan in the next 5 years? Before we answer this question, let's look at the following realities.

Our Major Exports to Japan

For many years, the commodities in the table below have consistently accounted for more than 80 percent of our exports to Japan and become our "bread and butter" products. Whether or not we can expand our sales to Japan in the future largely depends on our ability to consolidate and develop these "bread and butter" commodities.

Estimates are that these commodities will still constitute about 80 percent of our exports to Japan by 1990 for these reasons: 1) There is a demand for them in the Japanese market and we have the capacity to produce them for export. 2) They have basically found a niche in the Japanese market. 3) Bilateral cooperation and exchanges in these major categories of commodities will facilitate their export to Japan.

(in $100 million)

	1975	1980	1984
Total Exports to Japan	15.31	43.23	59.58
Major exports as % of total exports	82.6	84.6	84.1
Aquatic products	0.67	1.82	1.51
Fruits and Vegetables	0.56	1.47	2.49
Textile raw materials	0.90	1.79	2.86
Crude Oil and Unrefined oil	7.40	19.52	23.45
Petroleum products	-	3.07	5.43
Chemical industrial products	0.40	1.98	2.48
Textile products	1.99	5.33	8.88
Coal	-	1.17	2.04
Soya beans	0.73	0.37	0.95

Oil and coal make up about half of our exports to Japan. In 1980 we sold 9 million tons of coal to Japan with a price tag of $1.952 billion. By 1990 our oil exports to Japan will double and reach 18 million tons with a total value of $3.8 billion. It will not be easy but with effort we should find the target attainable. Concerning Japan's demand, Japanese forecasts suggest that it will remain $240 million tons by 1990. Even if our exports reach 20 million tons, we will still account for a little more than 8 percent of its demand, a small share.

China produced 770 tons of coal in 1984, overtaking the Soviet Union to become the world's second largest producer. In 1980 we sold Japan 2.2 millions of coal, or 3 percent of total Japanese coal imports, with a value of $117 million, 2.6 percent of what Japan spent to buy foreign coal. Our coal exports to Japan in 1984 were worth $204 million and accounted for a mere 3.9 percent of the total value of its coal imports. According to Japanese projections, the country will need 1.08 billion tons of coal by 1990, up 16.9 percent over 1980's figure of 924 billion tons. Hence it is conceivable for us to expand our exports to Japan.

Nevertheless, some Japanese have indicated that they may cut down on energy consumption and reduce imports from China. The Japanese should note that they ran up a surplus of more than $1 billion with us last year. If they further reduce the purchase from China of the two major commodities of oil and coal, then the trade gap between us will only widen, with detrimental effects on our imports from them. Clearly such a move will not help the development of Chinese-Japanese trade. Besides, given the turbulence in the Middle East and the string of accidents in Japan's coal mining industry, there is also a need for Japan to consider steadily increasing imports from us. Provided both sides consider their long-term interests, not only will Chinese-Japanese energy trade not diminish, but it will actually increase gradually.

Among aquatic products, prawn exports to Japan are highly promising; last year we sold 17,000 tons worth $77 million. But we are short of large prawn in the range of 7-12. In the future we must develop the export of large prawn to Japan.

It is only after 1980 that we gradually resumed and developed the export of corn and soya bean to Japan. Our soya bean exports to that country, which amounted to just 100,000 tons and were worth a mere $37 million in 1980, rose to more than 300,000 tons valued at $95 million in 1984. Each year Japan imports about 5 million tons of soya beans, of which 800,000 tons are consumed as food. Since most of our soya bean exports to Japan are consumed as food, we should first of all consider taking over its edible soya bean market by exporting 600,000 to 700,000 tons. If we manage to come up with improved soya bean varieties and increase the export of soya bean used for making oil, we can expect to sell more.

We sold about 600,000 tons of corn valued at $59 million to Japan last year. At present all the large trading companies want to sign long-term supply contracts with us. If we manage to sort out our domestic transportation and loading problems, we should have no problem exporting 3 to 4 million tons of corn each year in the future.

The textile industry is one of the first sectors where we engaged in technical cooperation with the world and went in for processing using foreign designs and materials. For this reason our textile exports to Japan have also grown relatively rapidly. Over the past few years, a lot of our products have found their way into Japan's major department stores at good prices. In 1984 our textile exports to Japan already reached $888 million. In the future we should combine our efforts to improve quality and quantity with a drive to increase variety, color and design and raise their added value as a way of increasing the dollar value of our exports.

China's exports of frozen vegetables to Japan also have great potential. In the past the Japanese did not like garlic bolt and blanched garlic leaves, but many Japanese companies now plan to buy directly from us. From now on we should develop certain varieties for export to Japan. They should be low-cost but relatively high-priced.

As we import more and more equipment and improve the quality of our products, we may hopefully be exporting more petroleum products and chemical industrial goods to Japan in the days ahead.

In rabbit fur and cotton exports, particularly the latter, there will be considerable room for growth. We began exporting cotton to Japan only in

1981. In 1984 the trade was already worth $54 million and now looks likely to increase in the future.

Our electrical machinery exports have been sluggish for the past several years. The main reason is that our exports primarily comprise relatively low-priced and unsophisticated items such as machine tools and grinders. The sale of electrical machinery products must be backed up by after-sale services and coordinated with the supply of spare parts. In the absence of these services, which we cannot provide for the time being, marketing is very tough.

2. Work Hard To Develop New Products And Expand The Export of Small and Medium Products

Some Japanese friends say that not only is there a Japanese market for brake fern from China's northeast, Sichuan's hot pickled mustard root, Shaoxing rice wine and Tianjin chestnuts, but they are not available anywhere else. Our exports have hardly any competition and seem very promising.

Last year, our brake, writing brush, handkerchief, buckwheat and glove exports to Japan were worth $5.8 million, $380,000, $5 million, $1.3 million and $7.9 million respectively...

In many ways we are well equipped to develop the production of small and medium commodities. China has abundant resources, the country is vast and every locality has its own traditional, unique products. Each of our 5 minority nationalities also has its own traditional arts and crafts. With some systematization and development, many products will become exportable.

Some products which seem insignificant may have the potential of being developed into major exports Take chestnuts, for instance. With exports valued at $41.5 million last year, chestnuts have become one of the largest single commodities we export to Japan. Pearl exports to Japan also reached $26 million in 1984. Given further processing to increase their added value, our pearl exports will command a high price. feather, reed curtain, and firework exports have each exceeded $10 million and cannot be described as minor products.

Even as we try to expand the exports of small and medium products, we must also continuously develop new products, an area where we have already accumulated some experience.

Mention the development of new products and people often conjure up visions of big, expensive items capable of earning lots of foreign exchange. Certainly we should go in for big projects when circumstances permit. But we must be aware that such schemes often require sizable investments and take a long time to materialize. Moreover, there is no guarantee that we will succeed.

It seems better for us to begin by concentrating on the research and development of small and medium products. Not only do they require little capital, but they also can be developed within a short time and produce quick results.

Bamboo needles are skewers used by the Japanese to string together meat, fish and vegetables as the food is being cooked on a stove. Japan used to import bamboo skewers from Taiwan, paying $12 million for such purchases. In 1983 Fujian Province began exporting them to Japan and aroused a great deal of interest in Japan's trade circles.

Last November, Japan's Joint Trading Company began a cooperative project with Hebei's supply and marketing cooperative to grow mushrooms in a 10-kilometer air-raid shelter in the province. The projected annual output of 500 tons will be exported to Japan to earn 500 million Yen.

In 1983 the Beijing Food Research Institute successfully developed a process to make soya bean yogurt. The technology was later exported to Japan where it created quite a stir. This shows that we have a high degree of expertise in the research and development of food products and other small and medium commodities. We should increase our confidence in this field and step up such technological exports.

In recent years, health food and drinks are all the craze in Japan. If our units concerned can come up with new discoveries and new inventions, they can readily increase their exports to Japan.

3. Intensify Publicity And Sales Promotion

To increase our exports to Japan, we must intensify publicity and sales promotion as well as produce goods which are in demand in Japan's market.

It was only after extensive publicity that oolong tea established itself in Japan. This is also true for Jiangsu's pearlized cosmetics. The Japanese may be falling all over themselves for our "Zhongnanhai" brand cigarettes, but there are still many Chinese products which have not been introduced to a wider Japanese public because of half-hearted publicity.

Japan's largest department store, the Mitsukoshi Department Store, has set up a special counter for Chinese arts and crafts. But while the many articles in the counter have price tags, there are no explanatory notes. Many high-quality jade works just do not sell well despite their exquisite craftsmanship; in the absence of explanatory notes, people have no way of knowing their artistic value. Among the articles were a double-handle jadeite bottle and a multilevel ivory pagoda, each costing 11 million Yen. Since there were no explanatory notes, however, the sales clerk was at a loss as to their artistic value and could not tell the customers how many levels the pagoda had.

A Japanese physician bought a vase at the department store and asked the people concerned about the vase, but received no answer. He had no alternative but to write to the Chinese firm involved for information. Many twists and turns and much frustration later, he finally got a reply. Delighted, he went to the store again and bought another vase. This shows that if we do not take pains to publicize our products, we will not be able to open up a market. And there can be no publicity if products are not accompanied by explanatory notes.

The Japanese work very hard to publicize their wares. For instance, they videotape the manufacturing process of certain handicrafts and let the salespeople show the tapes around for publicity.

To open up a market, publicity must go hand in hand with actual sales promotion. On a visit to France, former Japanese Prime Minister Ikeda touted Japan's transistor radios to President de Gaulle and was dubbed "Prime Minister Transistor Radio" by the media at the time. This demonstrates the priority which Japan, from the top down, gives to commodity publicity and promotion.

Sales promotion should be flexible and target-oriented to suit the characteristics of the market in question. A fruit juice company from the United States used to rely on its overseas subsidiaries to take care of promotion. Taking a different tack in Japan, however, it adopted "a joint venture approach adapted to Japan's pattern of complex circulation channels" and set up a joint enterprise, a processing concern of aquatic products, with "San Jing Products." After thoroughly acquainting itself with the Japanese market, the joint venture spent heavily on sales promotion and in a short while established U.S. fruit juices in the Japanese market.

To expand exports, therefore, we must intensify trade publicity and sales promotion. The ideas that "a premium product need not worry about not finding a buyer" and that "a good product automatically sells itself" have become outdated.

4. Export To Japan Must Be Better Coordinated

In our effort to expand exports to Japan, we face a major problem: How should we coordinate the export departments of our various localities and units so that our export commodities can command good prices and we can sell more and earn more foreign exchange?

In 1984, we had a bumper harvest in chestnuts. Chestnut-producing regions and departments insisted on doing their own export and refused to keep one another informed. They had no consideration for the overall interest and ignored the reality that the Japanese market had room for 20,000 to 22,000 tons annually. As a result, the market was disrupted and our exporters had to cut prices. China's exports went up in volume, but there was no corresponding increase in foreign exchange earnings. The Japanese traders also suffered and lost confidence in selling our chestnuts.

Jiangxi Province's luowen inkstone has consistently enjoyed steady sales at stable prices in Japan. Not long ago, however, an export company took the liberty of sending letters to stationers in Japan, claiming that it was an agent for the export of luowen inkstone, and offered a 30 percent markdown. At the Spring Trade Fair, the company again readjusted the prices of luowen inkstone downward, sometimes by as much as 60 percent, thereby throwing Japan's inkstone market into chaos. The result was a decision by the Japanese to cancel all inkstone contracts worth $60,000 concluded by the corporation when its delegation visited Japan last March.

Currently we have an adequate supply of corn. There is also a demand in Japan for corn. Our various localities and departments have indicated a desire to do their own exporting. Worried that decentralized management would lead to falling prices and losses, Japan's traders have repeatedly asked us to centralize our export and minimize the losses to both parties. Similar events can be cited. There is an urgent need for us to strengthen our export coordination. Otherwise we will not be able to achieve our target even if we have abundant supplies and do a perfect job in other areas.

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JAPANESE TRADE GROUP PRESIDENT ON EXPANDING CHINESE EXPORTS

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 9, 27 Sep 85 pp 10-11

[Article by Morita Takamaru, president of the Japan Association for the Promotion of International Trade: "Ways of Increasing Chinese Exports to Japan"]

[Text] Chinese-Japanese trade developed very rapidly in 1984, up 31 percent over 1983. In the second half of the year, Japanese exports shot up 47 percent while exports grew 16 percent, resulting in a surplus for Japan. During this period, Japan experienced a steady upsurge of interest in trading with China. To Japan, China is a most promising trading partner because China's open door policy has yielded practical results.

Since the beginning of 1985, however, Japanese exports have been soaring at an abnormally fast pace. For instance, Japanese exports to China from January through June amounted to $6 billion, double that for the same period in 1984. Meanwhile Japanese imports were only $3.2 billion. The upshot was a $2.8 billion surplus for the first half of 1985 alone. (The surplus for the whole of 1984 was $1.26 billion.) Most of the increase in Chinese imports this year were not part of the state plan but consisted of durable consumer goods imported by the localities. This surge in imports not only led to a buying stampede inside China but has also affected its foreign exchange reserves. All this shows that Chinese-Japanese trade has been developing too fast.

This year is the last year in China's Sixth 5-Year Plan and 1986 will usher in the Seventh 5-Year Plan. To ensure that trade and economic cooperation proceeds as planned, China must maintain its foreign exchange reserves at a certain level. This is why it must use foreign capital even more effectively.

To realize the quadrupling of its gross industrial and agricultural output value by the end of the century, China must devote itself to the development of electricity and the construction of communications, transportation, harbors and roads. At the same time it must make an effort to develop export industries.

The dependence of China's national economy on external trade is still very limited, but it will increase in the days ahead in view of the open door .pa policy. Exports have the arduous task of ensuring China can buy the imports it needs. The question for Japan is how to expand its imports from China.

In general, the goal put forward by China of quadrupling its gross industrial and agricultural output value by the end of the century is not too difficult. If the Japanese economy grows 5 percent annually for the next 15 years, and assuming that its foreign trade, particularly imports, will grow at the same rate, that will mean a 2.2-fold increase in value, an increase which can be considered almost natural.

Japan imports from China a wide range of products. First there are the traditional commodities, e.g., water chestnuts, raw silk, native products, Chinese herbal medicine, special foods, arts and crafts and paint. Japanese imports from China make up 70 to 90 percent of its total consumption in these categories and will vary in response to changes in the country's consumption trends. These Chinese exports are going to account for a declining portion of Japan's consumption.

A larger share of Japan's imports from China consists of the following: petroleum, coal, chemical industrial products, petroleum products, light industrial goods, assorted metallic processed products, as well as agricultural, livestock and aquatic products. Most of them are international commodities. By and large, Japan's dependence on imports in these categories varies from time to time and its imports from China may increase sharply in some years and stabilize in others. But Japan's imports from China account for only 6 to 7 percent of total Japanese imports (it is almost 20 percent for fibers) but may possibly increase in the future.

As Chinese industries develop, moreover, the quality and quantity of their output will improve, which suggests the possibility that such exports as machinery, chemical industrial goods and light industrial products will go up and become new commodities in Chinese-Japanese trade. If this comes to pass, China's export commodity mix will become more rational.

In mineral products, China has rare-earth metals and precious metals, demand for which has lately emerged in the international market. The metals will be further developed and exploited in the Eighth [as published] 5-Year Plan. We can see from the above discussion that it is not too hard for Japanese imports from China to increase fourfold.

It is important to solve specific problems by laying down appropriate policies.

Some imports, however, such as agricultural and livestock products and light industrial goods, may conflict with Japan's domestic industries, a conflict which appears to intensify over time.

On the other hand, there are categories where the volume of Chinese imports has been increasing continuously and replacing Japanese imports from other regions. These products do not compete directly with domestic Japanese industries. Examples are petroleum, petroleum products, coal, soya beans, corn, rapeseed and cotton.

China should work hard to increase the international competitiveness of these so-called international commodities, primarily in terms of price, quality, packaging and transportation capacity. It should also improve its ports' handling capacity. International commodities are also called market commodities. If goods are not delivered to the place and by the time designated in the contract, the meaning of trade will be lost. I believe it is also very important to increase competitiveness in this respect.

As for prices, even if the government increases subsidies, they should be kept competitive. This applies in particular to agricultural products.

Solving these problems will have a crucial positive effect on increasing Chinese exports to Japan and other countries.

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FOREIGN TRADE AND INVESTMENT

DISCUSSION OF CHINESE-JAPANESE TRADE FRICTION

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 9, 27 Sep 85 pp 12-13

[Article by Fujimura Kosuke: "Sino-Japanese Trade Conflicts Should Be Solved by Consultation"]

[Text] In the latter half of the 1970's, Chinese-Japanese trade expanded continuously. To China, Japan is its largest trading partner. To Japan, China will only become more and more important in the future. However, a number of abnormal phenomena have appeared in Chinese-Japanese trade since last year. Japan's sales of cars, motorcycles and television sets to China soared several dozenfold last year over 1983. Since the beginning of this year, China has suspended negotiations on a number of contracts because of a shortage of foreign exchange reserves. This situation is bound to affect the development of Chinese-Japanese trade. What we need now is a steady expansion in Chinese-Japanese trade, and both sides are working hard for it.

In recent years, as its domestic economic development progresses smoothly, China has rapidly expanded its foreign trade. In the past, China spent vast sums of foreign exchange buying massive amounts of grains from Canada and the United States. Since 1979, villages in China have put into practice a production responsibility system, resulting in a remarkable increase in agricultural output, some of which is now being exported. The foreign exchange thus saved was used to finance the purchase of home electrical appliances, motorcycles and other consumer goods. The rapid development of the national economy enables the state to export. At the same time, a rising living standard and an increase in consumer purchasing power also spur imports. This pattern will continue in the future.

There are a number of points about Chinese-Japanese trade last year which are worthy of attention. According to Japanese customs statistics, Japanese exports to China in 1984 were valued at 1,720.8 billion Yen (up 47.4 percent over 1983), while Japanese imports from China stood at 1,411.2 billion Yen (up 16.7 percent over 1983). The 47.4 percent increase in Japanese exports should be considered abnormal.

The steep increase in Japanese exports was due to an upsurge in the sale of Japanese electrical machinery products, home appliances, steel and so on. Electrical machinery exports expanded 215 percent over 1983, while exports of radios, color TV sets and black/white TV sets all rose an unprecedented 19-fold over 1983. The increase in color TV set exports was the most spectacular, whether in terms of volume or value. A breakdown of transportation hardware shows an astonishing 100-fold increase in motorcycle exports. The rates of increase for buses, limosines and trucks were 19-fold, 15-fold and 8-fold respectively. In the area of steel, shape exports and seamless steel tube exports grew by 98 and 57 percent respectively. Both rates exceeded last year's.

This year, however, China has adopted stringent foreign exchange control measures. Negotiations on the export of home appliances have almost ground to a halt after May and there has been a drastic drop in car import negotiations as well. My judgment is that the import of goods already contracted for will continue to grow. After October, however, there will be a precipitous decline in imports. From year end through next spring, Chinese imports will remain stagnant.

Both sides are responsible for the erratic course of Chinese-Japanese trade. China now seems to be considering the formulation of a stable trade policy. Japan, for its part, is trying to curb its overly aggressive salesmanship.

The Chinese government has approved the report on restructuring the foreign trade system prepared last fall by the Ministry of Foreign Economic Relations and Trade. The report points out that at a time when the entire economic system is engulfed in a wave of reform, the foreign trade sector should also carry out a number of important reforms. Among them a notable one is giving local governments extensive power to attract foreign capital and modernize existing enterprises, and defining the limits within which they can import technology and equipment and the amounts of foreign exchange they can spend. The foreign trade plan also reduces the number of priority commodities under centralized state control.

The foreign trade system should be restructured, but I do not think China should rush headlong into reform or insist on its universal application.

We should carefully analyze beforehand the possible consequences of reform. The actual implementation should be planned and cautious.

The car reselling incident on Hainan Island provides much food for thought for both China and Japan. Hainan Island, designated as an economic development area, imported from Japan a large number of cars and resold them at huge profits to the interior. This is extremely unfortunate. At the same time, the Japanese companies which received the orders were also responsible. They should have realized that under no circumstances could Hainan need so many cars for its own use.

It is hoped that China will take a more cautious approach in adjusting its trade policy. It took bilateral efforts for Chinese-Japanese trade to have reached the present scale. Both of us should protect it.

Japan is very concerned about Chinese moves to modify its policy regarding special economic zones [SEZ] and economic development zones [EDZ]. In early

July, State Councillor Gu Mu [6253 3668], who is in charge of the open door policy, said, "We are in the process of adjusting the development plan on SEZ's and opened cities." In Spring, 1984, China opened 14 coastal cities. Mr Gu Mu pointed out, "Priority will be given to Dalian, Tianjin, Shanghai and Guangzhou. The other 10 cities will be developed at a later date." According to reports from Hong Kong, the Chinese government has decided to slash this year's infrastructural investments in Shenzhen by 36 percent. Since the development of SEZ's and EDZ's is closely related to any expansion in Chinese-Japanese trade, relevant circles in Japan are very anxious about changes in China's SEZ and EDZ policies.

Some Japanese are worried that the Dalian EDZ, now under construction, may be affected. Dalian is geographically close to Japan and has relatively deep historical ties with us. Circumstances permitting, Japan is ready to set up joint ventures and cooperative enterprises in partnership with Dalian.

The construction of the Dalian EDZ (in and around Dagushanmaqiaozi Village in Jin County) has begun. Phase 1 of the project, which covers an area of 3 sq km, is scheduled for completion next year. At Zhoushuizi Airport, currently being overhauled, the runway is partly finished. Also proceeding apace are improvements in telecommunications facilities and the construction of a power station. In addition, Dalian plans to build a harbor with 50 berths at Dajiao Bay. We hope that China will clarify whether these development plans will be revised or changed.

Another problem in Chinese-Japanese trade is imbalance. China's export and import targets for the last year in the Sixth 5-Year Plan are $27 billion and $30.4 billion respectively, for a deficit of $3.4 billion, part of which must be financed by non-trade earnings. But China's deficit with Japan alone reaches and may even exceed the projected deficit. This situation must be prevented.

Meeting with a RENMIN RIBAO delegation last May, Prime Minister Nakasone referred to the imbalance in Chinese-Japanese trade and said, "I am prepared to work hard to correct this imbalance. But in order to help China achieve modernization, Japan's equipment exports are increasing at the moment. Hence the lopsided tendency may perhaps persist."

To expand Chinese exports to Japan, both sides have to do a lot of work. As far as Japan is concerned, it should open up its market, an area where definite progress has been made recently. Japan has lowered its tariffs, including a 4 percent drop in tariffs on Chinese water chestnuts and walnuts. But stringent restrictions on the entry of Chinese raw silk and silk fabrics remain. The Japanese market needs to be further opened to let in more Chinese goods.

We also hope that the Chinese will make some efforts. Japanese businessmen think that the quality of Chinese products is inconsistent and their availability unsteady. Similar problems exist with regard to prices. As I see it, supply stability is a key to expanding Chinese exports.

Then there are problems with China's infrastructure. When there is a shortage of ports capable of handling large vessels, one cannot take the goods out even if one wants to buy them.

It can be said that Chinese-Japanese trade is naturally complementary. Japan is a developed, industrialized nation which lacks natural resources. China is a rich supplier of natural resources and primary products as well as a developing nation with a relatively strong light industrial sector. Japan buys from China a variety of primary products such as crude oil, coal, soya bean and cotton. China, which is capable of exporting a wide array of products, is an indispensable trading partner to Japan, in the long run. As for China, it must import an increasing amount of machinery and equipment from Japan in order to achieve modernization.

Also, China and Japan are neighbors separated by a strip of water. China's major exports are primary products, which are relatively inexpensive to transport. This too is a decisive factor.

The existing friendly relationship between China and Japan is unprecedented. The two governments are also carrying out capital cooperation. This is why I believe the trade imbalance between China and Japan this year and last should be solved as soon as possible. Toward that end, both countries should provide appropriate conditions and engage in frank and sincere consultations. The objective environment is much better now than several years ago, so I believe this problem can certainly be solved.

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WAGE INCREASES SLOWING; SUBSIDY AND BONUS PAYMENTS QUICKEN

Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 19 Aug 85 p 1

[Article by Chou Xuezhong [0092 1331 1813]: "State Statistical Bureau Data Indicate Slight Decline in Total Wages Growth During First Half of Year. Need Continues For Stronger Control Over Bonuses and Subsidies"]

[Text] This reporter has learned from the State Statistical Bureau that during the first half of 1985 there was a slight decline in the increase in total wages of employees for China as a whole; bonuses and subsidies, however, continued to grow too fast.

Total wages paid to employees nationwide during the first half of 1985 amounted to 57.2 billion yuan, a 9.36 billion yuan or 19.6 percent increase over the same period in 1984, which was slightly less than the 21.3 percent increase realized over the same period last year. Of the 9.36 billion yuan increase, 1.4 billion yuan or 15 percent was attributable to wages paid to new employees; 3.11 billion yuan or 33 percent, to increases in bonuses or premium wages on piece rate; 2.6 billion or 28 percent to increases in subsidy payments of various kinds; and 2.2 billion yuan or 24 percent, to increases resulting from a simplification and merging of wage standards and reform of self-paid wages.

The rate of increase in bonuses and subsidies has nonetheless remained too fast. During the first half of the year, bonus payments nationwide (including premium wages on piece rate) amounted to 8.13 billion yuan, up 3.11 billion yuan or 62 percent over the same period in 1984. The difference between the two figures is due to the fact that during the first half of 1984, many enterprises were raising funds in order to adjust their wages. They were relatively strict in issuing bonuses and relatively conservative in setting base figures. Another reason for the increase over last year is that many enterprises issued bonuses recklessly during the first quarter of this year".

In addition, subsidies issued by many areas and units increased markedly. Statistics from 39 key cities show subsidies by state-owned units during the first half of the year to have averaged 74 yuan per capita, an increase of more than 40 percent over the same period in 1984.

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LABOR AND WAGES

TRADE UNION ROLE UPGRADED IN LIAONING PROVINCE

Beijing GONGREN RIBAO in Chinese 3 Oct 85 p 1

[Article by Sun Weiben [1327 4850 2609], Deputy Secretary, Liaoning Provincial CPC Committee: "Trade Union Work Is Important Work in the Party"]

[Text] Trade union work is an important integral part of the work of the Party, and the trade union organization is the hub that closely binds the Party to the masses. It is a powerful assistant to the Party. A look at the workers movement in Liaoning Province and the current situation in trade union work in recent years shows the trade union organization to be a genuinely powerful force for the realization of the Party's political lines, and that it performs a unique role such as no other organization can perform in social and national life and in the four modernizations. Especially in the work of city trade unions, there are many aspects of Party programs and policies that have to be carried out by the trade union organization for translation into conscious action by the rank and file of staff members and workers. Since the beginning of reform of the economic system focusing on cities, in particular, urban trade unions have played a further role in mobilizing and organizing the vast numbers of employees to support reform, to participate in reform and to devote energies to making suggestions for reform. Strengthening of democratic management in enterprises both embodies the position of the rank and file of employees as masters in their own house and guarantees the authority of plant managers in providing unified direction resulting in full use of the inherent enthusiasm, initiative and creativity of both leaders and the rank and file of employees in enterprises thereby greatly bolstering the enterprise's vitality and steadily increasing its economic effectiveness. In the building of spiritual civilization, the trade union organization has launched wide ranging education in being the master of one's own affairs, education in ideals, education about discipline, education about traditions and education about the legal system centering around communist ideology, as well as a "five concerns, four beauties and three cherishes" campaign, a book reading campaign to stimulate the advance of China, a campaign for mutual help with ideology, a recreational and sports campaign, etc. These activities have played an active role in heightening the "four haves" [sic] in the ranks of employees. A large body of facts shows that the position of trade unions cannot be ignored, and the role of trade unions cannot be looked down on. In recent years, the Liaoning CPC Committee has treated the work of trade unions as an important part of the work of the Party. It has devoted attention to improving and strengthening trade union leadership and to allowing all levels of the trade union organization to assume active and independent responsibility for work performance. We have devoted attention mostly to work in the following regards:

1. Regular discussion and study of trade union work. At least once each year, the Liaoning Provincial CPC Committee systematically listens to and discusses reports on trade union work, and at least twice each year, municipal CPC committees systematically listen to and discuss reports on trade union work. In the annual assignment, inspection and summarization of work, CPC committees at all levels simultaneously assign, inspect and summarize trade union work. When they encounter important matters, they arrange at once for discussion and study. Lower level CPC committees have to place on their daily agenda of important things to do the various tasks from trade unions at higher levels in just the same way as the tasks received from CPC committees at higher levels, and they have to plan and organize properly to carry them out. Municipal CPC committees in Liaoning Province convened special meetings to hear reports on the 14 March directive from the Central Secretariat, on the spirit of the 10th Chinese Trade Union Congress and on trade union work in urban reform, and they made this directive, spirit and assignments a part of their overall Party work to be carried out. In 1984, the Provincial CPC Committee held a special conference of workers, youths and women, which made decisions on the strengthening of Party leadership of workers, youths and women.

2. Assignment of vigorous cadres to trade unions. One important aspect of the strengthening of Party leadership of trade unions is bolstering the building of the trade union organization and assignment to it of cadres who meet the standards of the "four modernizations" so that trade unions will not become dumping grounds for old, weak, sickly and handicapped cadres. The Provincial CPC Committee Organization Department and the Provincial Trade Union Headquarters jointly prepared regulations on cooperative management of cadres; they twice issued documents that put forward specific requirements pertaining to the assignment to positions as deputies in the Party and government of grassroots trade union chairmen. During 1984, the Provincial CPC Committee also provided explicitly in its decisions on leadership of worker, youth and women's work that "the chairman of trade unions in entreprenural units should be assigned and administered with the rank of a deputy in Party and government, and should participate in the CPC committee at the same level. Provisions should be made for municipal and county trade union chairmen to be members of the local CPC Committee Standing Committee." Now the chairman of the Provincial General Trade Union is a member of the Provincial CPC Committee Standing Committee. The municipal trade union chairmen in eight of 13 cities in the province are members of the standing committee of the municipal CPC committee. In more than 90 percent of large and medium size enterprises, the trade union chairman holds a position as deputy plant manager. In view of the nature of trade union work, in its selection and assignment of trade union cadres, the Liaoning Provincial CPC Committee Standing Committee has stressed the assignment to trade union leadership teams at all levels of outstanding

cadres in the prime of life who are enthusiastic about work among the masses, who are closely tied to the masses, who can work patiently while bearing hardships, and who are enthusiastic about serving the masses. During 1984, more than 2,000 superior trade union workers were selected from throughout the province, and another 29 city, county and grassroots trade union cadres were selected as provincial and municipal level model workers. This had never been done in the past.

3. Allowing trade unions to participate widely in social activities and national life. Trade unions are important representatives of the rank and file of employees, and trade unions should be made a part of various social and national activities. They could give widespread expression to the will, desires and demands of employees, thereby providing a greater mass basis to the tasks and actions called for by programs and policies formulated by the Party and government. This would also help the trade unions understand programs and policies for better mobilization and organization of the rank and file of employees for completion of all work tasks. Therefore, trade units should be allowed to participate in whatever they should be a part of. For example, restructuring of enterprises, urban reform, wage reform, carrying out of policies relating to intellectuals, indoctrination of employees and such organizational leadership work have been participated in by trade unions. We have conscientiously dealt with trade union investigation reports, the views that trade unions have expressed, and the recommendations they have made in these regards. We approved and forwarded those that should have been approved and forwarded; adopted those that should have been adopted; and studied those requiring study.

4. Permit trade unites to be independently responsible for carrying out jobs. Trade unions are political bodies that have their own organizational system from top to bottom that is distinct from administrative sections and offices in enterprises. Consequently, Party leadership of trade unions, principally ideological and political leadership and programs and policies leadership, cannot monopolize everything, the party taking the place of the masses. At the same time, however, neither can the Party abandon leadership and wash its hands of responsibility. The Liaoning Province CPC Committee devotes its efforts to the following matters in the course of day-to-day work. One is to offer suggestions on major government policies; another is to participate in major trade union activities; another is to help solve specific problems; and yet another is to help them speak for and act on behalf of employees. For example, when an important issue has a bearing on the trade union, leading comrades from the Provincial CPC Committee personally call on the trade union chairman, Chen Suzhi [7115 4790 5347]. When the trade union runs an important campaign, leading comrades from the Provincial CPC Committee participate to the full. In carrying out their work, the problems that mass organizations confront, particularly with regard to work conditions, pay and emoluments, may be somewhat greater than in other organizations. The Party organization has to give greater consideration to these matters and help iron out and resolve them.

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PROBLEMS IN STRATEGY OF HIGHWAY DEVELOPMENT OUTLINED

Beijing GONGLU [HIGHWAYS] in Chinese No 8, 25 Aug 85 pp 7-11

[Article by Yin Zuochao [3009 0155 6389] and An Qilin [1344 2475 2651]: "Exploring Some Problems in China's Highway Development Strategy"]

[Text] Three issues of general concern when studying highway development strategy are transportation capacity, the size of the highway network, and construction funds. These problems have many ramifications and are fairly complex, so we want to express some thoughts on them and provide instruction in the process.

1.The Question of the Level of Development of Highway Transportation Capacity

To what level will China's highway transportation capacity develop in this century? Numerous units and professions inside and outside the transportation system have studied this question for several years, and it boils down to two points. One point is whether the speed of increase in highway transportation capacity should be greater than or less than the speed of growth of the national economy. The other point is how large the transportation capacity should be. Except for the volume of freight transportation on which the views of all quarters are fairly close, there is a wide divergence of views on other matters such as the volume of freight turnover, volume of passenger transportation, and volume of passenger turnover.

Our view is that numerous factors have a bearing on transportation volume, and their relationship to each other is a complex one. Generally speaking, the following several factors are involved:

(1) Socio-economic development. That socio-economic development gives rise to demand for freight transportation and an increase in the movement of people is extremely obvious. Socio-economic development also gives rise to changes in the structure of transportation. In the process of socio-economic development in many countries, among all the various forms of transportation, it has been highway transportation that has carried a gradually increasing proportion of passengers and freight.

(2) Level of development of the motor vehicle and petroleum industries. That highway transportation requires support from the motor vehicle industry is

obvious. To satisfy all of society's needs for highway passenger and freight transportation, the motor vehicle industry has to provide a mix of large, medium and small passenger and freight vehicles, and the petroleum industry has to provide sufficient fuel. Otherwise, highway transportation requirements will remain in a restricted state, and increase in the volume of highway transportation will also be adversely affected.

(3) Scale of highway transportation network. This includes highway quality and highway network density.

(4) The guiding thought in planning. Though the development of highway transportation is determined largely by overall socio-economic development; nevertheless, the guiding thought in the preparation of national plans still wields very great influence An example is the speed with which readjustments are made to an irrational transportation structure. When there are differences in the transportation make-up and different transportation price policies, the volume of highway transportation will differ. Another example is that for small motor vehicles, the adoption of policies that develop or restrict to different degrees also has a very great bearing on the volume of highway traffic and the volume of passengers carried by highways.

Of all the foregoing factors, it is socio-economic development that is the leading one influencing growth of highway transportation. The level of development of the whole society and economy, the size of the highway network, and the level of development of the motor vehicle industry and the petroleum industry are mutually reinforcing and mutually restrictive. The guiding thought in the development of highway transportation is, therefore, related to overall socio-economic development. People's understanding of the development of transportation in general and their understanding of the position and role of highway transportation in transportation frequently deepens steadily with socio-economic development.

On the basis of the trend of China's socio-economic development, it is predicted that before the end of this century, the volume of passengers and freight hauled by highways will continue to increase. Economic factors bearing on increase in the volume of highway transportation are numerous, but the most fundamental one is the strategic goal of quadrupling the 1980 gross output value of industry and agriculture in China by the end of the present century. This is a factor common to increase in the volume hauled by all forms of transportation. There are some factors that will lead to highway transportation growing more rapidly than other forms of transportation, and they are generally as follows:

First, socialized large scale production requires specialization to an increasingly higher degree,increasing coordination among enterprises, increasingly complex processing, and a higher number of processing steps for products; product replacement and updating cycles shorten; the proportion of high grade, precision and advanced industrial products increases and requirements become more rigorous with regard to cargo damage and the time required for capital to turn over. This permits highway transportation to take advantage e of being dispersed, maneuverable and flexible, having many points over a wide area, delivering on time, not having to load and unload frequently, doing little damage to cargoes and providing door to door service.

Second, with the development of rural villages from a semi-self sufficient economy to a commodity economy, and development from an undiversified economy in which grain production is paramount to a diversified economy in which township and town enterprises and all sorts of specialized households have risen, the whole economic structure of rural villages has already and will continue to undergo radical changes. The building of houses and other construction in rural villages is on the rise. Because they can penetrate into farflung rural villages, highways alone are able to carry out important transportation tasks.

Third, the advantage that highway transportation offers is in medium and short haul transportation. In the process of adjusting the transportation structure, highway transportation will gradually take on the major task of medium and short distance passenger and freight transportation. In places where railroad transportation is not well developed and water transportation is non-existent, highways will be an even more important mode of transportation.

Fourth, it is anticipated that highway passenger transportation will maintain momentum toward fairly great increase. Medium and short distance travel is a substantial proportion of the volume of passenger transportation and suited to the development of highway transportation. In the country's farflung rural villages, highway transportation is even more the main mode of passenger transportation.

In recent years many units and specialists inside and outside the transportation system have made numerous analyses of factors affecting increase in the volume of highway traffic, and they have proposed many values for predicting highway traffic volume. In a nutshell, there are high, medium and low proposals. The summary values of the three proposals are as shown in Table 1.

Table 1. Prediction Values For Volume of Highway Transportation in 2000

Item	Units	1980	2000		
			Low Proposal	Medium Proposal	High Proposal
Freight Volume	100 million tons	38.2 (37.2)*	115	140	165
Freight Turnover	100 million ton kms.	764 (1086)*	4000	7500	9200
Passenger Volume	100 million persons	22.28 (26.27)**	133	290	400
Passenger Turnover	100 million passenger kms.	729 (874)**	4400	8900	11000

Note: Actual figures for 1980 are from the State Statistical Bureau. Numbers in parentheses marked with * include extrapolated values for volume of freight hauled by tractors on rural highways. Since State Statistical Bureau survey of average transportation distances for non-Ministry of Communications motor vehicles are small, the volume of freight hauled seems overly large; on the contrary, they are greater than the extrapolated values for the amount of expansion. Figures marked with ** are the expanded extrapolated volume of traffic including small passenger vehicles and non-Ministry of Communications large passenger vehicles.

In the foregoing low proposal on traffic volume, inasmuch as the limiting factors on development of highway transportation are somewhat more numerous, speed of increase is relatively small. Speed of growth of freight traffic volume is lower than speed of growth of the national economy, and though speed of growth of passenger transportation volume and passenger turnover volume are somewhat higher than the speed of growth of the national economy; nevertheless, in comparison with the coefficient of elasticity for volume of highway traffic in some countries in the world with a similar economic level (figured in terms of per capita gross national product), it is much smaller. When the need for improvement is viewed in terms of the trend of development of the commodity economy, and in terms of the changed situation in far-flung rural economies, it will be difficult for the traffic volume of the low proposal to satisfy needs for commodity production and circulation, and hard to satisfy needs for passenger transportation. Rural passenger and freight traffic, in particular, may very well become in short supply and unsuitable.

Looked at in terms of requirements for development of the national economy, and particularly from the standpoint of the trend of development of the commodity economy and from the standpoint of both changes in the expanded rural economic structure and the scale of rural construction, volume of highway traffic will reach that provided for in the medium proposal or even in the high proposal. The high proposal makes predictions on the basis of gross output value of industry and agriculture as interrelated with the volume of traffic. It also performs tests using the general trend of coefficients of elasticity for various countries at a corresponding economic level, focusing on the maximum required volume. In recent years, the volume of highway freight turnover for the country as a whole has averaged an annual growth of approximately 10 percent; passenger turnover volume has averaged an approximate 16 percent growth. Civilian motor vehicle volume has averaged an annual 30 percent growth, and rural tractors have increased at an average of approximately 37 percent annually, demonstrating the effects on highway traffic of the development of commodity production and changes in the rural economic structure. One may expect that these influencing elements will continue to exist for a long time to come. In the high and medium proposals, the volume of traffic in the high proposal is better able to satisfy needs for development of the national economy. The crux in satisfying transportation needs lies in being able to overcome limiting factors to the maximum extent possible. In view of the various factors limiting highway expansion, possibilities for realizing the medium proposal seem somewhat greater. This is an estimate of traffic volume based on study of both needs and what can be realized.

2. The Question of the Scale of Development of China's Highway Network

Limited funds and construction forces require that the relationship between new highway construction and improvements be explored first.

A look at progress in the building of the economy of China and of foreign countries shows the tendency of highway traffic becoming gradually concentrated on trunk highways. The volume of traffic carried by China's trunk highways amounts to from 64 to 68 percent of the total volume of traffic carried by all highways in the country. The average volume of traffic on trunk highways is also greater than that carried by rural roads. It is anticipated that by 2000, the average volume of traffic on national highways as a ratio of the average volume of traffic on the national highway network will increase from the 2.92 of 1980 to 3.75. Traffic volume on provincial highways will also rise, while the ratio on rural roads will decline. On many trunk highways today, the volume of traffic already exceeds designed capacity, and as the economy develops the pressure on trunk highways will become increasingly great. Consequently during the next 15 years the emphasis in highway construction should be on the technical upgrading of trunk highways.

Technical upgrading of the trunk highway network will mean marked improvement in economic results that can tremendously lower transportation costs. When the ratio of high grade highways is large, transportation capacity of the entire road network will also be greater over the same length of motorable highways throughout the country, and average transportation costs for society as a whole will correspondingly decline.

Nonetheless, one must also realize that the length of China's motorable highways is too small. There is only 0.1 kilometer of highways per square kilometer, and there is only 0.64 meters of highway per mu of cultivated land. Ten percent of all townships and 36 percent of villages are entirely without highways. This state of affairs greatly restricts rural economic development. Therefore, at the same time as highways are being technically improved, lengthening of rural highways should not be overlooked.

Study of the amount of highway construction in come countries shows that highway distance per capita and gross national product per capita are related to per capita land use area. Were the two models of the USSR and eastern Europe and of the Americas and western Europe to be used, extrapolations on the basis of per capita land use in China and on estimated figures for population and the economy in 2000, China would have between 2.1 and 3.4 million kilometers of highways in 2000. However, since the present length of China's highways is very small and since financial resources for the construction of highways are insufficient, this figure will be difficult to reach.

High, medium and low scale plans have been drawn up for the development of a highway network in China by the end of this century. These plans have taken into account response to differences in transportation volume and traffic volume, the extent to which funds for highway construction can be found and the construction forces available, plus availability of construction materials.

In the low scale plan, the motorable highway distance would be 1.2 million kilometers of which between 500 and 1,000 kilometers would be high speed highways, between 6,500 and 9,000 kilometers would be primary highways and between 40,000 and 60,000 kilometers would be secondary highways. There would be 300,000 kilometers of highways with high quality and secondary quality surfaces.

In the medium scale plan, the motorable highway distance would be 1.35 million kilometers, including 1,600 kilometers of high speed highways, 13,000 kilometers of primary highways and between 100,000 and 110,000 kilometers of secondary highways. There would be 400,000 kilometers, or a bit more, of high quality and secondary quality road surfaces.

In the high scale plan, the motorable highway distance would be 1.5 million kilometers including 2,200 kilometers of high speed highways, 20,000 kilometers of primary highways, and between 220,000 and 230,000 kilometers of secondary highways. There would be 500,000 kilometers, or a bit more, of high quality and secondary quality road surfaces.

In all three plans, technical upgrading of trunk highways would be paramount to increase their traffic bearing capacity from the 170 billion ton kilometers of 1980 to between 320 billion and 570 billion ton kilometers, with some secondary and tertiary highways (approximately 100,000 kilometers of these) being built. Auxiliary roads for slow moving vehicles would be built to solve the mixed traffic problem and increase highway carrying capacity for an increase in highway network density. Most of the newly constructed highways would be county and township highways, and most of them would be low grade highways. Highway construction would be uneven, the speed of construction in coastal areas and in economically developed areas being relatively faster.

Analysis shows high, medium and low scale highway plans as being able to bear different amounts of traffic, and marked differences in their technical and economic standards. All standards have been analyzed in terms of vehicle traffic standards for the whole society. Results of the analysis are shown in Table 2.

Table 2.

			c		d		e	
STANDARD	UNIT	1980	f	g	g	h	g	h
i	j	300	677	1138	1138	1258	1138	1258
		901	2609	4387	4465	4936	4619	5106
k		0.55	0.91	1.22	0.89	1.1	0.7	0.78
		1.04	0.80	1.3	0.98	1.15	0.77	0.85
l	m	29	33.1	31.1	37.1	36.4	42.2	41.4
		30	38.7	36.5	45.9	45.1	51	50

n	o	9.5 9.3	8.9 8	9.2 8.3	8.3 7.25	8.4 7.35	7.1 6.2	7.6 6.7
p	q	192.3 187.8	175 153	184 162	159.1 131.5	161.6 133.8	142.2 119.8	144.6 121.9

Key: a) Standard
b) Units
c) Low scale plan highway network in year 2000
d) Medium scale plan highway network in year 2000
e) High scale plan highway network in year 2000
f) Low scale plan traffic volume
g) Medium scale plan traffic volume
h) High scale plan traffic volume
i) Highway network average traffic volume including: national highways
j) Vehicles per day
k) Highway network average congestion including: national highways
l) Highway network average speed including: national highways
m) Km/hr
n) Highway network average fuel consumption including :national highways
o) Liter/100 ton kms
p) Highway network average transportation cost including: national highways
q) Yuan/1,000 ton kms

The foregoing explains that the volume of highway traffic will reach that provided for in the medium and high plans. Thus, a highway network on the scale of the low plan will not be suitable.

Analysis of the standards shows construction of a highway network on the scale of the high plan will be able to satisfy the traffic needs of medium plan transportation volume, all technical and economic standards being fairly good and economic benefits outstanding. When the highway network carries a medium plan transportation volume, traffic flow will be basically even over the system with a certain amount of reserve capacity to carry a high plan volume of transportation that may occur. Moreover the amount of funds required for a network on the scale of the high plan would be substantial, and both the amount of highway construction materials and construction forces needed would also be very great, and reaching this goal would entail quite a few difficulties.

A highway constructed on a medium plan scale would be able to carry a fairly large volume of traffic, would fit in with increases in the volume of highway transportation, and good technical and economic standards for the highway network could still be estimated. Should a situation develop in which the volume of traffic exceeded the scale of the medium plan, it could be handled with effort. At the present time there are new sources of funds for highway construction, so possibilities are fairly good for the construction of highways on the scale of the medium plan.

It should be noted that during the Sixth 5-year Plan period, the scale of highway construction was less that desirable for the fundamental reason that highway construction funds were insufficient. Though the Seventh 5-year Plan has not been decided on, a look at initial planning shows the amount of highway construction as still being too little. Unless strenuous efforts are made to build a highway network during the Seventh 5-year Plan, by the year 2000 the size of the highway network may slip to that of the low plan or lower. At that time the highway network will have become overloaded; there will be traffic jams and frequent accidents; all technical and economic standards will have worsened, and losses will be tremendous.

3. The Problem of Highway Construction Funds

The key to realization of highway network development goals lies in construction funds. In accordance with the principle of level by level management and level by level construction, national highways will be built largely with national funds; and provincial highways will be funded by individual provinces, the state providing appropriate assistance, and some civilian labor. County and township highways will be built by counties and townships, construction being run by the people with financial assistance from the state, the people supplying the labor for the most part, the province providing appropriate financial assistance. On this basis, it is estimated that during this century the building of low, medium and high plan highway networks will require a state investment of 67.4 billion, 73 billion, and 159.9 billion yuan respectively, and provinces, municipalities and autonomous regions will contribute 84.5 billion 99.4 billion and 146.4 billion yuan respectively. In addition, labor with a substantial value will be paid by peasants for civilian run and state assisted projects and for contributions of civilian labor.

Calculations based on construction of the scale of the medium plan show an estimated state investment in the building of a highway network (meaning routes and bridges) will amount to between 14 and 20 percent of investment in communications, transportation, posts and telegraphs for this century. The ratio from 1953 through 1983 was 9 percent. To bring about a substantial change in the nation's highway network, as investment in communications and transportation as a percentage of national investment increases, an increase in the percentage of investment in highway construction will be necessary.

Historically, the portion of state investment in highway construction has been paid out of the national budget. This has included direct disbursement to the Ministry of Communications of funds for highway construction for border defense. Investment for other highways has been arranged for out of the funds for investment in capital construction that the state has disbursed to each province, the amount of each being extremely limited. Since 1983, the state has collected funds for key energy and communications projects through a 15 percent levy for road maintenance. This has reduced financial resources available for road construction. Now that the State Council has decided to change the situation in which state investment is less that the energy and communications funds collected for road maintenance fees, and to readjust the percentage of investment in highway construction, if payments are made, state investment in highway construction should increase. The State Council has also decided that for highway construction to have a long-term, consistent source of income, all units and individuals that purchase motor vehicles, including government organizations and the armed forces, must pay a vehicle purchase surcharge of 10 percent for motor vehicles produced in China and 15 percent for vehicles imported from abroad. This will increase the highway construction funds available to the state. Funds provided by provinces, municipalities and autonomous regions come mostly from road maintenance fees, including expenditures taken from road maintenance fees for use in building trunk highways and to help with the construction of county and township highways. Recently the State Council decided suitable increases in standards for the collection of road maintenance fees so that investment funds available for highway construction in each province will increase. Effective in 1985, there is to be a financial control system that "designates kinds of taxes, sets receipts and disbursements and assigns work responsibility at all levels." Central government investment in capital construction and local overall investment in capital construction is to be according to set apportionments, local government being responsible for arranging highway capital construction. As a result of the development of the rural economy, the demand for transportation is extremely urgent; therefore, civilian running of highway matters may continue. Nonetheless,the scope of civilian labor devoted to construction and civilian construction with support from public funds must correspond to peasants' cash income and should not be expanded too much. In addition to the foregoing several sources of funds, highway construction requires a widening of channels and the mobilization of local government and other financial resources as well as either the pooling of funds or loans.

It is estimated that collection of the surcharge on motor vehicle purchases during this century will generate 29 billion yuan, and that funds for key energy and communications projects withheld from road maintenance fees will amount to approximately 31 billion yuan for a total of 60 billion yuan. This means a 13 billion yuan shortfall in the 73 billion yuan needed for the medium scale plan. An appropriate increase in state investment will be required over and above the state investment in highways for national defense. It is estimated that during the next 15 years, approximately 35 billion yuan of highway maintenance funds will be used for highway improvements, and that another 21 billion yuan of highway maintenance funds will be used to help county and township highways for a total of 56 billion yuan. This means a 43.4 billion yuan shortfall in the 99.4 billion yuan of funds pooled by provinces, municipalities and autonomous regions. This will have to be worked out through local government investment in capital construction and other financial resources as well as through the pooling of funds and loans. Once channels for highway construction funds have been broadened, state assistance to major provincial trunk lines and inter-province trunk lines may be proportionally increased as well.

Highways are one of the basic facilities on which the national economy depends for development and are in the nature of a social public utility. All trades and industries throughout the society will stand to gain from improvement of the highway network, and this should be given wide publicity so that national planning departments and local governments will not be loathe to invest funds in highway construction. This is the only way that substantial improvement can be made in the building of a highway network during this century.

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CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

LESSONS FROM ECONOMIC REFORM IN SOVIET UNION, EASTERN EUROPE

Xiamen XIAMEN DAXUE XUEBAO in Chinese No 1, 86 pp 11-16

[Article by Wang Luolin [3769 3157 2651]: "Learning from Economic Reform in the Soviet Union and Eastern Europe"]

[Text] After the war, the Soviet Union and countries in Eastern Europe all embarked on economic reform. Despite the differences in their methods, they moved in roughly the same direction and ran into similar problems and issues. Countries which follow the same economic model as theirs will do well to study and learn from some of their experience.

1. Commitment to Reform and the Pace of Reform

How committed a nation is to reform and whether or not it proceeds steadily have an immense impact on the effectiveness of reform.

A subjective explanation for the slow progress of reform in the Soviet Union and some countries in Eastern Europe is that faced with a barrage of obstacles, they retreated and invariably failed to commit themselves to total, thorough reform. Consequently, instead of launching a coherent reform program, they ended up tinkering with the system and making piecemeal changes. Furthermore, some countries merely decentralized certain power from the central government to the local authorities, without correspondingly expanding the power and responsibilities of enterprises in planning, materials supply, marketing and sales, etc. As a result, the government's overall responsibility for enterprises has remained intact. Such piecemeal reforms not only cannot dismantle the old management system but are also prone to sending everything back to square one.

It is certainly not easy to stay committed to reform, and even less easy to reform steadily. Reform is a postwar phenomenon for which no ready-made formulas can be found in the classics. Nor does a systematic and coherent reform experience exist in real life. While latecomers may consult the experience of pioneers, circumstances vary from country to country and every nation must explore on its own to find its own way. In the course of exploration, if a nation does not seize opportunities adroitly or underestimates potential difficulties, it may either plunge ahead with reckless haste or vacillate.

Examples also abound in the history of reform in the Soviet Union and Eastern Europe where commitment was not accompanied by steadiness of purpose. As economic difficulties multiplied, some countries rashly resorted to reform, thus depriving it of a reliable material and ideological basis from the beginning. Many cadres considered reform an expedient to save themselves from economic problems. Once the economy improved, many people lost their enthusiasm for reform and aborted it midway. Other countries might have launched their reform under more auspicious circumstances but tried to rush through a series of major reform measures within a short time. When the economic repercussions of these measures proved to be more than the nation could bear, they had no choice but to beat a retreat amid a chorus of criticisms. Instead of achieving anything, they only succeeded in dampening the initiative of the cadres and masses and prolonging the entire reform process.

Of course some nations did manage to stay committed to reform and proceed steadily over a long period of time, with remarkable results. They teach us these important lessons:

--Grasp reform opportunities without delay;

--Make full theoretical and material preparation before reform;

--Draw up a coherent reform program and carry out the measures in order of importance, not all at once;

--When reform runs into difficulty, resist the pressure from all quarters, not by simply falling back on administrative control, but by solving the problems with reform methods.

The fourth point above has a particular practical significance. As soon as they see the problems and mistakes that have emerged in the course of reform, some cadres jump to the conclusion that reform is not on the right track. The truth is that mistakes and deviations inevitably arise here and there during reform. The problem is how we tackle them. If we quit and slip back into the old rut of over-centralization and exclusive reliance on administrative mechanisms the moment problems appear, that will indeed be a sign that all is not well with reform. But if we persist in the direction of reform, solve problems with reform methods and correct mistakes and deviations, that would exactly be an important hallmark of a "steady as we go" approach.

2. Urban Economic Reform and Agricultural Reform

Urban economic reform and agricultural reform are related to and facilitate each other. But in essence and substance they also differ considerably.

In the Soviet Union and some Eastern European nations, economic reform is often spearheaded by agricultural reform, or at least begins by relaxing rural economic policies. This is because rural economic policies in the past had stifled the peasants' initiative and shackled rural development. Facts show that agricultural reform in these nations has not only improved the state of agriculture, but also provided notable impetus to urban economic reform. The greater the success of agricultural reform, the stronger the impetus to urban economic reform, especially in economically backward nations where peasants make up a sizable portion of the total population.

On the other hand, we should also open our eyes to the fact that there is only so much agricultural reform can do to promote urban economic reform. Success in agricultural reform does not necessarily imply similar success in urban economic reform because the latter is a much more complex and arduous job and runs into stiffer resistance. The primary manifestations of its complexity and difficulty are:

(1) Urban factories and mines are the nation's lifeblood. Their profits constitute the major source of overall social accumulation and expanded reproduction. Urban economic reform, therefore, has a tremendous and direct impact on the nation's entire economic structure, proportional relations, growth rate, finance, banking, and living standards.

(2) Urban economic departments have created a relatively comprehensive, interwoven management system, which is what we essentially mean when we talk about the "Soviet model." It has its own special durability and inertia and cannot be easily changed.

(3) Factories, mines and other enterprises are predominantly owned by the state. To reform these state-owned enterprises is to tread directly on the functions and power of various government departments. Mixing the reform of the economic base with that of the superstructure makes for special complexity.

(4) Compared to peasants in the collective system, workers in the state-owned sector are more used to eating "from the common rice pot." Hence their resistance to any attempt to change the egalitarian distribution system is also greater.

For these reasons, there is no success story so far in comprehensive urban economic reform despite several nations' outstanding achievements in rural reform. It is thus clear that much more than agricultural reform, wholesale, thorough urban economic reform takes commitment, courage and caution.

3. Reform and the Distribution of the National Income

A key component of urban economic reform is the reform of the national income distribution system, in other words, putting an end to central control over the bulk of profits and expanding the autonomy of local governments and enterprises to distribute profits.

Judging from the experiences of the Soviet Union and countries in Eastern Europe, giving local governments and enterprises more say in the distribution of profits certainly helps to unleash their initiative, to the benefit of economic invigoration. However, if an overly large share of the profits are put under local or enterprise control when banks have not been able to step up supervision, a train of negative results will follow.

Generally speaking, when local governments control an excessive portion of profits, they tend to make investments in an uncoordinated way, duplicate them, and overreach themselves. Or investments may get out of hand. When enterprises control too much profits, they show an objective inclination to emphasize consumption and neglect accumulation, even expanding consumption at the latter's expense. If the central government does not check these activities in time or does so halfheartedly, the result is severe over-investment and over-consumption, leading to over-distribution of the national income and worsening inflation. And once inflation exceeds what the nation can take, the government will be forced to adjust the entire national economy extensively, which will seriously interfere with the progress of reform.

Clearly the reform of the distribution of the national income has profound and wide-ranging effects. Its execution requires us to not only grasp quantitative proportions carefully, but also devise a new set of mechanisms to control investment and consumption. Although the Soviet Union and Eastern European nations have so far come up with no comprehensive and effective mechanisms, they have learned a few lessons through practice and posed a number of questions which must be addressed.

(1) How should we distribute profits among the central government, local authorities and enterprises to achieve a proper ratio?

Since conditions vary from country to country, and even within one country at different stages of economic development, it is certainly impossible to lay down a generally applicable ratio. But the experience of some nations shows that at the beginning of reform, particularly when the commodity economy is not highly developed and the extent of production socialization is limited, the central government must control more than 50 percent of total profits. Local governments' share should be smaller than that of enterprises.

The central government must control more than half the total profits mainly because only when it has ample funds at its disposal in the first stage of reform can it effectively control the macroeconomy with economic tools. In economically underdeveloped nations, in particular, the central government must concentrate an immense amount of funds in key projects in basic industries, the construction of the infrastructure and the development of backward areas. Only thus can it control the basic national economic proportional relations and gradually eliminate gross interregional imbalances.

The chief reason why local governments should have a smaller share than enterprises is that given a backward commodity economy and limited production socialization, allocating local governments too many funds creates the possibility of covert economic separatism which militates against the reasonable distribution of the entire national economy and may even affect political unity and stability.

(2) How should the financial system be reformed at the same time as local and enterprise control over profits is being augmented?

The decentralization of control over profits is inseparable from the decentralization of the financial system. As a substantial portion of profits is allocated to local governments and enterprises, control and supervision by public financial agencies is correspondingly weakened and, by the same token, the banks' supervisory function over economic activities becomes more conspicuous and crucial. The financial system therefore must be reformed as part of urban economic reform, but only to strengthen macroeconomic control over the national economy and enhance supervision over a whole range of economic activities, and not to weaken such control and supervision. The main point about financial reform is not decentralization but the more effective use of financial tools.

(3) How can we better motivate people and units who make most investment decisions to be economy-minded in the use of funds and improve economic efficiency?

To prevent an excess of investments, it is not enough just to intensify bank supervision from outside. We must also motivate the people and units in charge of investment to be economy-minded in the use of funds and improve economic efficiency. That is why economists in some nations why suggested legislation to hold people in charge of investments accountable for investment risks. Only such a step can break the habit of "eating from the common rice pot."

(4) How can we impel enterprise leaders to handle the relations between immediate gains and long-term interests properly?

After they are granted more autonomy, enterprises should overcome their bias in favor of consumption and against accumulation. The key question is whether or not enterprise leaders can withstand the pressure for unchecked consumption and properly manage the relations between special interests and the general interest, and between immediate gains and long-term interests. To motivate enterprise leaders to act that way, we must set up a proper hiring, selection, reward and penalty system. In some Eastern European nations, all enterprise leaders are recruited and hired by the enterprises and their remuneration depends directly on the enterprises' earnings. Elsewhere, enterprise leaders continue to be government-appointed even after enterprises were given more autonomy and their remuneration is fixed by the government centrally. In practice, these two systems each appear to have their own advantages and disadvantages. It seems that for a prolonged period of time, the leaders of medium-sized and large enterprises should continue to be determined by a combination of worker selection and government appointment. Their remuneration should also be fixed partly by government regulation and partly by enterprise earnings.

4. Reform And Growth Rate

The effectiveness of urban economic reform is bound to manifest itself in faster economic growth for the following reasons:

(1) Decentralization inevitably fires the initiative of localities and enterprises to step up investments.

(2) The result of reforming the labor wage system is to link together workers' personal basic interests and their enterprises' performance, inevitably boosting labor productivity.

(3) The adjustment of the economic structure ends the exclusive emphasis on heavy industry and enables light industry to make more rapid progress. Since light industry yields higher profits and has a quicker turnover, its rapid growth will certainly fuel the entire national economy before long.

As a matter of fact, every relatively wide-ranging and successful reform in the Soviet Union and some Eastern European nations has boosted national economic growth. Other nations did not reform across the board, limiting themselves instead to just one or two fairly significant reform measures. But they too saw their economies gather momentum presently. So there is absolutely no doubt that reform is a shot in the arm for the economy.

On the other hand, however, it should be noted that there were abnormal reasons as well behind the excessively speedy growth some nations experienced in the course of reform. The major irregularities were:

(1) In the early days of reform when rules and regulations had yet to be perfected, local governments and enterprises misused the investment authority delegated to them and expanded investments recklessly, particularly to develop processing industries. For a time, therefore, both the output value of capital projects and that of processing industries shot up excessively;

(2) Abusing the power decentralized to them to conduct foreign trade and use foreign exchange, local governments and enterprises unthinkingly imported technology, raw materials and fuels. Hence the "fast growth," paid for with foreign exchange, in some sectors and enterprises.

The kind of "fast growth" induced by these two abnormal factors cannot last and actually militates against the sustained and stable development of the national economy. Of the two, the first factor is less amenable to control and more dangerous. A shortsighted investment explosion, especially in processing industries, will lead to capital, raw material and fuel shortages, thereby setting the stage for a reassertion of control by the central government over the use and allocation of scarce resources. In the resultant belt-tightening climate, some power which should and can be decentralized is not granted to local governments and enterprises. Thus reform and development are hampered.

Herein lies an important lesson: While the emergence of brisk growth in the course of reform is certainly a gratifying and normal phenomenon, we must be on guard against irregular elements taking shelter behind a normal situation. In the initial stage of reform, in particular, we must control the growth rate of investments and processing industries to leave a little more funds and materials at the disposal of the central government. In so doing, we provide reform with a less constraining economic climate so that it can proceed smoothly, on the one hand, and quickly remedy defects and close loopholes (both inevitable in the course of reform), on the other.

5. Reform and the Open Door Policy

Reform and the open door policy complement each other. Either one without the other will not work as expected. If one moves much faster or more slowly than the other, they will also get in each other's way.

Since it is after all easier to adopt an open door policy than to reform, there is a stronger tendency in the Soviet Union and Eastern European nations for the open door policy to advance more briskly than reform. If this tendency is not corrected in time, it will make a good deal of trouble:

First, since the open door policy is not accompanied by a corresponding move to reform the over-centralized management system, decisions pertaining to the import of foreign capital and technology are often concentrated in the hands of a few leaders in local governments and enterprises who frequently clinch a deal without thorough scientific verifications and research. In this way a quantity of technology and equipment not urgently needed by the national economy is irrationally and wastefully imported.

Second, in the course of opening the country to the world, no attention is paid to adjusting the economic structure promptly and controlling the ratio between basic industries and processing industries. As a result, most of the imported capital is attracted to processing industries where turnover is quick and profits high, thereby exacerbating the imbalance between the two kinds of industries. Faced with raw material and energy shortages, processing industries have no choice but to depend on imports if they are to maintain normal production, which, in turn, leads to an outflow of foreign exchange and a deficit in the international balance of payments.

Third, since no corresponding effort is made to reform enterprises internally, their management standards remain so low that they have difficulty absorbing and assimilating the imported advanced technology. The aims of technology import should be to raise product quality, enhance product competitiveness and increase exports. Yet because of their poor quality, their products can only be sold domestically, pitting them against other enterprises making similar merchandise.

In short, the open door policy inevitably incurs some costs. But we must minimize them and maximize its results. Toward that end, we must more or less synchronize reform with the open door policy; if the latter is too fast while the former is too slow, the latter's effects will be drastically undercut and the following bizarre scenario may occur: while little advanced technology and managerial experience are absorbed from capitalist nations, decadent capitalist stuff does manage to find its way into the country and is crossbred with maladies like eating "from the common rice pot," low efficiency and indolence, giving birth to monstrosities which are neither socialist nor capitalist. This will only ruin the good name of the open door policy and give an excuse to people opposed to it.

6. Reform and Economic Theory

Reform puts forward many new theoretical issues never touched upon by our predecessors. On the other hand, every breakthrough in theoretical research in turn inevitably provides reform with powerful guidance and impetus.

Over the past 3 decades, economists in the Soviet Union and Eastern Europe have conducted highly valuable research on a host of issues, such as ownership systems, planning and the market, the commodity economy and agricultural socialization, smashing the trammels of many ideas and enriching and elaborating socialist economic theories.

This reform-centered theoretical research, however, is also marked by two tendencies unfavorable to reform:

One tendency is that the theorists monopolize the right to interpret Marxist theories, deifying individual theses in the classics and the economic theory formed under a highly centralized management system. Many theoretical areas are declared off-limits. Whoever oversteps the limits or violate them during reform is regarded as a heretic who has deviated from Marxism. This erroneous tendency not only fetters the development of theoretical research but also seriously impedes the smooth conduct of reform.

The other tendency is to doubt, even abandon, the basic Marxist stand, viewpoint and method, claiming that Marxist economic theories cannot explain the new problems and issues which have appeared in the real world of economic life and preferring instead to seek answers among Western economic theories and to guide economic reform with Western theories and policies. If the first tendency shackles and impedes reform, then the latter leads reform astray. At a time when consumer goods were not plentiful, for instance, some nations preached "high consumption" to stimulate production, whetting people's consumption appetite without being able to come up with enough materials to satisfy demand. In the end, all they did was to fuel the expansion of consumption funds objectively and interfere with wage and price reform. Other experts echo John Maynard Keynes and advocate "appropriate" inflation and deficit budgeting to spur production. This proposal has already colored economic policy-making adversely.

The two misguided tendencies above are intrinsically related to each other: by restricting the development of Marxism for a long time and making it impossible for new issues and conditions to be interpreted by that doctrine, it is exactly the dogmatism and despotism in theoretical research which have led some people to doubt Marxism. Consequently, we should unchain ourselves from the bondage of dogmatism and use the Marxist stand, viewpoint, and method to review and explain new phenomena and issues which arise during reform, or shall we say, work hard to tackle new realities and master basic Marxist theories in order to enhance our ability to use basic Marxist tenets and method to examine and solve new economic problems. That way we advance Marxism as well as our cause and prevent ourselves from losing our way in an increasingly complex struggle in action. In my opinion, this is a critical and urgent mission facing people in economic work, both thinkers and doers, in socialist nations.

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